



CGI GROUP INC.

**EMPLOYEE SHARE PURCHASE PLAN PROSPECTUS FOR
CERTAIN EMPLOYEES OF CGI GROUP INC. AND ITS
SUBSIDIARIES IN THE EUROPEAN ECONOMIC AREA**

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser authorised under Financial Services and Markets Act 2000 (FSMA) if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in your own jurisdiction.

This document comprises a prospectus relating to CGI Group Inc. (**CGI** or the **Company**) and has been prepared in accordance with the prospectus rules of the Financial Services Authority (**FSA**) made under section 73A of FSMA (the **Prospectus Rules**). This prospectus has been approved by the FSA in accordance with section 87A of FSMA and has been filed with the FSA and will be made available to the public in accordance with section 3.2 of the Prospectus Rules.

This prospectus has been issued by CGI in relation to the acquisition from time to time of Class A subordinate voting shares in CGI (**Class A Shares**) by eligible employees of CGI and its subsidiaries (the **Group**) within the United Kingdom and (pursuant to Article 17 of Prospectus Directive 2003/71/EC as amended (the **Prospectus Directive**)) within the European Economic Area (**EEA**), pursuant to the Group's 'Employee Share Purchase Plan for Certain Employees of CGI Group Inc. and its Subsidiaries' (the **Share Purchase Plan**) and not for any other purpose.

This prospectus will be passported, pursuant to Article 17 of the Prospectus Directive, into Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Spain and Sweden. A list of names of the regulators in each of these jurisdictions is set out in Part 4 of this prospectus. Eligible employees in these EEA member states will not be able to take up Class A Shares under the Share Purchase Plan until: (i) this prospectus has been passported pursuant to Article 17 of the Prospectus Directive and (ii) the Share Purchase Plan has been implemented in the relevant EEA member state.

CGI GROUP INC.

(incorporated in Canada under the Companies Act (Québec), predecessor to the Business Corporations Act (Québec), with registered number 1850-8523)

The offer(s), the subject of this prospectus, are not made to the general public or to any person other than eligible employees of the Group located in the United Kingdom, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Spain and Sweden. Only such eligible employees of the Group may acquire Class A Shares pursuant to this prospectus in accordance with the plan documents of the Share Purchase Plan, following implementation of the Share Purchase Plan in the relevant EEA member state.

No new Class A Shares (or any other securities of CGI) will be issued in connection with this prospectus. The Class A Shares which are available to be purchased under the Share Purchase Plan are either listed on the New York Stock Exchange or the Toronto Stock Exchange. No Class A Shares (or any other securities of CGI) are listed or admitted to trading on a regulated market within the EEA. As at the date of this prospectus, there is no intention to make an application for the Class A Shares, the subject of this prospectus, to be listed or admitted to trading on any such EEA regulated market.

CGI and its directors accept responsibility for the information contained in this prospectus. To the best of the knowledge and belief of CGI and its directors (who have taken all reasonable care to ensure that such is the case), the information contained in this prospectus is in accordance with the facts and contains no omission likely to affect its import.

YOU SHOULD READ THE WHOLE OF THIS PROSPECTUS IN ITS ENTIRETY. IN PARTICULAR, YOUR ATTENTION IS DRAWN TO THE RISKS DESCRIBED IN THE "RISK FACTORS" SECTION OF THIS PROSPECTUS, COMMENCING ON PAGE 19, WHICH SHOULD BE CONSIDERED WHEN DECIDING WHETHER TO PARTICIPATE IN THE SHARE PURCHASE PLAN.

This document does not constitute an offer to sell or the solicitation of an offer to buy or subscribe for Class A Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, South Africa or Japan or in any country, territory or possession where to do so may contravene local securities law or regulations. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This document has not been approved by any securities regulatory authority in Canada or the United States of America nor has any securities regulatory authority in Canada or the United States of America expressed an opinion about these securities, and it is an offence to claim otherwise.

Employees should rely only on the information in this document and any documents incorporated by reference. No person has been authorised to give any information or make any representations other than those contained in this

document and, if given or made, such information or representations must not be relied on as having been authorised by the Group. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA or section 3.4 of the Prospectus Rules, the publication of this document does not, under any circumstances, create any implication that there has been no change in the affairs of the Group since, or that the information contained herein is correct at any time subsequent to, the date of this document. Unless otherwise expressly stated in this prospectus, neither the information on CGI's website (or any other website) nor the content of any website accessible from hyperlinks on CGI's website (or any other website) is incorporated into, or forms a part of, this prospectus.

The contents of this prospectus should not be construed as legal, business or tax advice. This prospectus should not be considered as a recommendation by CGI that any recipient of this prospectus should subscribe for or purchase any Class A Shares. Each recipient of this prospectus will be taken to have made his own investigation and appraisal of the condition (financial or otherwise) of CGI and the Class A Shares.

This prospectus is dated 18 March 2013.

CONTENTS

	PAGE
SUMMARY	4
RISK FACTORS	19
FORWARD-LOOKING STATEMENTS	29
PART 1: ADDITIONAL INFORMATION.....	30
PART 2: SUMMARY OF TAX CONSIDERATIONS.....	50
PART 3: TABLE OF PRINCIPAL SUBSIDIARIES	85
PART 4: PASSPORTING COUNTRIES AND REGULATORS.....	87
PART 5: SHARE PURCHASE PLAN	88
PART 6: GROUP HISTORICAL FINANCIAL INFORMATION AND PROXY STATEMENT	96

SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. These Elements are numbered in Sections A-E (A.1-E.7).

This summary contains all the Elements required to be included in a summary for the type of securities and issuer to which this prospectus relates. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer to which this prospectus relates, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

<i>Section A – Introduction and Warnings</i>		
A.1	<i>Introduction:</i>	This summary should be read as an introduction to this prospectus. Any decision to invest in the Company’s Class A Shares should be based on consideration of this prospectus as a whole by an investor. Where a claim relating to the information contained in this prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA member state, have to bear the costs of translating this prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this prospectus or it does not provide, when read together with the other parts of this prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	<i>Subsequent resale of securities or final placement of securities through financial intermediaries:</i>	Not applicable: this prospectus has not been drawn up in connection with any subsequent resale or placement of securities by financial intermediaries.
<i>Section B – Issuer</i>		
B.1	<i>The legal and commercial name of the issuer:</i>	CGI Group Inc.
B.2	<i>Domicile and legal form, legislation and country of incorporation:</i>	CGI is domiciled and incorporated in Canada as a corporation under the Companies Act (Québec), the predecessor to the Business Corporations Act (Québec) which now governs the Company.

B.3	<i>Current operations, principal activities and markets:</i>	The Group is the fifth largest independent information technology (IT) and business process services firm in the world. The Group has approximately 70,000 employees, that it calls members, across the globe. The Group offers a portfolio of services to its clients, including: • IT Consulting: CGI provides a full range of IT and business consulting services including business transformation, IT strategic planning, business process engineering and systems architecture; • Systems integration: CGI integrates and customises leading technologies and software applications to create IT systems that respond to clients' strategic needs; • 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. CGI implements its quality processes and proven practices to improve the efficiency of its clients' operations. Services provided as part of an outsourcing contract may include development and integration of new projects and applications, applications maintenance and support, technology management (enterprise and end-user computing and network services), transaction and business processing such as payroll, insurance processing and document management services; and • Proprietary business solutions: CGI has a wide range of proprietary business solutions which help shape opportunities and drive value for its clients and shareholders. CGI provides its services to more than 10,000 large and medium sized businesses in the private and public sectors worldwide. CGI's clients include governments, financial institutions, manufacturing, retail and distribution companies, telecommunications companies, utilities providers and health organisations.
B.4a	<i>Significant recent trends:</i>	The Group ended the first quarter of the 2013 fiscal year with revenue of C\$2,532.9 million, an increase of C\$1,500.8 million or 145.5 per cent. over the same period in the 2012 fiscal year. On a constant currency basis, revenue increased by 147.5 per cent., while currency rate fluctuations unfavourably impacted the Group's revenue by C\$21.9 million or 2.1 per cent. The significant revenue growth year-over-year was due to the full quarter's impact of the acquisition of Logica (as defined in Element B.5 below), and to a lesser extent to the continued growth in the Group's US operations, which posted a constant currency growth of 19.9 per cent. (or 16.1 per cent. including the unfavourable foreign exchange impact). Revenue from five of the Group's seven segments, being the Nordics, Southern Europe and South America, France, UK, Central and Eastern Europe and Asia Pacific, represented C\$1,527.9 million or 60.3 per cent. of the Group's total revenue. Revenue from the Group's Canada segment in the first quarter of the 2013 fiscal year decreased by 3.9 per cent. compared to the same period in the 2012 fiscal year. The majority of this revenue change was due to the expiration of a document management services contract in the Group's financial services vertical market. Modest growth was observed across Canada from new contracts, offset by lower volume of projects with existing clients. Year-over-year, on a Group-wide basis, the manufacturing, retail & distribution vertical market grew the most, followed by the government and telecommunications & utilities vertical markets. These vertical markets represented 29 per cent. and 15 per cent., respectively, of the Group's revenue

		for the first quarter of the 2013 fiscal year.																												
B.5	Description of the issuer's group and the issuer's position within the group:	CGI is the ultimate parent company in the Group. The Group's principal subsidiaries are as follows: <table><thead><tr><th>Name</th><th>Location of incorporation</th></tr></thead><tbody><tr><td>Conseillers en gestion et informatique CGI Inc.</td><td>Québec, Canada</td></tr><tr><td>CGI Group Holdings USA Inc.</td><td>Delaware, United States</td></tr><tr><td>CGI Technologies and Solutions Inc.</td><td>Delaware, United States</td></tr><tr><td>CGI Federal Inc.</td><td>Delaware, United States</td></tr><tr><td>Stanley, Inc. (<i>Stanley</i>)</td><td>Delaware, United States</td></tr><tr><td>Stanley Associates, Inc.</td><td>Washington D.C., United States</td></tr><tr><td>CGI Information Systems and Management Consultants Inc.</td><td>Canada</td></tr><tr><td>3955338 Canada Inc.</td><td>Canada</td></tr><tr><td>CGI Group Holdings Europe Limited</td><td>United Kingdom</td></tr><tr><td>Logica Limited (<i>Logica</i>)¹</td><td>United Kingdom</td></tr><tr><td>Logica Group Holdings Limited</td><td>United Kingdom</td></tr><tr><td>LogicaCMG Corporate Holdings Limited</td><td>United Kingdom</td></tr><tr><td>LogicaCMG (Software) Limited</td><td>United Kingdom</td></tr></tbody></table> ¹Logica (formerly Logica plc) was acquired by a wholly-owned subsidiary of CGI by means of a court-sanctioned scheme of arrangement on 20 August 2012. Logica is a business and technology services company headquartered in the United Kingdom.	Name	Location of incorporation	Conseillers en gestion et informatique CGI Inc.	Québec, Canada	CGI Group Holdings USA Inc.	Delaware, United States	CGI Technologies and Solutions Inc.	Delaware, United States	CGI Federal Inc.	Delaware, United States	Stanley, Inc. (<i>Stanley</i>)	Delaware, United States	Stanley Associates, Inc.	Washington D.C., United States	CGI Information Systems and Management Consultants Inc.	Canada	3955338 Canada Inc.	Canada	CGI Group Holdings Europe Limited	United Kingdom	Logica Limited (<i>Logica</i>) ¹	United Kingdom	Logica Group Holdings Limited	United Kingdom	LogicaCMG Corporate Holdings Limited	United Kingdom	LogicaCMG (Software) Limited	United Kingdom
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B.6	In so far as is known to the issuer, the name of any person who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law and the amount of such interest:	Interests of 10 per cent. or more in an issuer's capital or voting rights are notifiable under Canadian law. CGI's authorised share capital consists of: (i) an unlimited number of first preferred shares, issuable in series (<i>First Preferred Shares</i>); (ii) an unlimited number of second preferred shares, issuable in series (<i>Second Preferred Shares</i>); (iii) an unlimited number of Class A Shares carrying one vote per share; and (iv) an unlimited number of Class B shares carrying 10 votes per share (the <i>Class B Shares</i>), all without par value. As at 14 March 2013 (being the latest practicable date prior to publication of this prospectus), there were no First Preferred Shares or Second Preferred Shares outstanding. Insofar as is known to the Company, as of 14 March 2013 (being the latest practicable date prior to publication of this prospectus), the only persons who beneficially owned, directly or indirectly, or exercised control or direction over 10 per cent. or more of CGI's outstanding Class A Shares or Class B Shares (on the basis of their disclosed holdings of Class A Shares and Class B Shares as at 14 March 2013) were: • Serge Godin (Founder and Executive Chairman of the Board): owned 872,587 Class A Shares and, through his control of Distinction Capital Inc., 3727912 Canada Inc. and 9164-7586 Québec Inc., 28,577,089 Class B Shares (0.32 per cent. of the Class A Shares issued and outstanding and 85.03 per cent. of the Class B Shares issued and outstanding, representing 46.87 per cent. of the total voting rights in CGI); • André Imbeau (Founder, Vice Chairman of the Board and Corporate Secretary): owned 266,661 Class A Shares and, through his control of 9088-0832 Québec Inc. and 9102-7003 Québec Inc., 4,275,659 Class B Shares (0.10 per cent. of the Class A Shares issued and outstanding and 12.72 per cent. of the Class B Shares issued and outstanding, representing 7.03 per cent. of the total voting rights in CGI); and																												

		• Caisse de dépôt et placement du Québec (Caisse): see immediately below. In addition, CGI's Investor Relations department regularly surveys the Company's largest institutional shareholders. Based on the most recent shareholder identification data available to the Company, as at 31 January 2013, the following were the top ten institutional holders of Class A Shares: • Caisse owned 68,136,698 Class A Shares (24.81 per cent. of the Class A Shares issued and outstanding, representing 11.16 per cent. of the total voting rights in CGI); • Pyramis Global Advisors, LLC owned 22,275,400 Class A Shares (8.11 per cent. of the Class A Shares issued and outstanding, representing 3.65 per cent. of the total voting rights in CGI); • GCIC, Ltd. owned 11,655,937 Class A Shares (4.24 per cent. of the Class A Shares issued and outstanding, representing 1.91 per cent. of the total voting rights in CGI); • Fidelity Investments Canada ULC owned 7,900,000 Class A Shares (2.88 per cent. of the Class A Shares issued and outstanding, representing 1.29 per cent. of the total voting rights in CGI); • Greystone Managed Investments owned 7,547,133 Class A Shares (2.75 per cent. of the Class A Shares issued and outstanding, representing 1.24 per cent. of the total voting rights in CGI); • Mackenzie Financial Corporation owned 7,046,107 Class A Shares (2.57 per cent. of the Class A Shares issued and outstanding, representing 1.15 per cent. of the total voting rights in CGI); • BlackRock Fund Advisors owned 5,251,085 Class A Shares (1.91 per cent. of the Class A Shares issued and outstanding, representing 0.86 per cent. of the total voting rights in CGI); • TD Asset Management, Inc. owned 5,200,739 Class A Shares (1.89 per cent. of the Class A Shares issued and outstanding, representing 0.85 per cent. of the total voting rights in CGI); • Fiera Capital Corporation owned 5,009,918 Class A Shares (1.82 per cent. of the Class A Shares issued and outstanding, representing 0.82 per cent. of the total voting rights in CGI); and • RBC Global Asset Management, Inc. owned 4,682,180 Class A Shares (1.71 per cent. of the Class A Shares issued and outstanding, representing 0.77 per cent. of the total voting rights in CGI). Save as set out above, as of 14 March 2013 (being the latest practicable date prior to publication of this prospectus), to the knowledge of the directors (each a Director and together, the Directors) and executive officers, there is no other person who beneficially owned, directly or indirectly, or exercised control or direction over 10 per cent. or more of CGI's outstanding Class A Shares or Class B Shares (on the basis of their disclosed holdings of Class A Shares and Class B Shares as at 14 March 2013).

	<i>To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled, by whom and describe the nature of such control:</i>	Save for Serge Godin, whose interest in CGI’s voting share capital is set out above, CGI is not aware of any person who as at 14 March 2013 (being the latest practicable date prior to the publication of this document), exercises or could exercise, directly or indirectly, jointly or severally, control over CGI.																																																																																
	<i>Whether the issuer’s major shareholders have different voting rights, if any:</i>	CGI’s major shareholders, as listed above, have the same voting rights as all other holders of Class A Shares and Class B Shares.																																																																																
B.7	<i>Selected historical key financial information and narrative description of significant change to the issuer’s financial condition and operating results during or subsequent to the period covered by the historical key financial information:</i>	The tables below set out key financial information for the Group for the periods indicated. The data below has been extracted, without material adjustment, from the Group’s audited consolidated financial statements for the years ended 2010, 2011 and 2012. The Group’s audited consolidated financial statement for the year ended 2010 was prepared in accordance with Canadian Generally Accepted Accounting Principles. The Group’s audited consolidated financial statements for the years ended 2011 and 2012 were prepared in accordance with International Financial Reporting Standards. Consolidated Statement of Earnings: For the years ended 30 September (in thousands of Canadian dollars, except share data) <table><tr><td></td><td>2012</td><td>2011</td><td>2010</td></tr><tr><td></td><td>C\$</td><td>C\$</td><td>C\$</td></tr><tr><td>Revenue</td><td>4,772,454</td><td>4,223,942</td><td>3,732,117</td></tr><tr><td>Operating expenses</td><td></td><td></td><td></td></tr><tr><td>Costs of services, selling and administrative</td><td>4,226,859</td><td>3,690,960</td><td>3,025,823</td></tr><tr><td>Amortisation</td><td>-</td><td>-</td><td>195,308</td></tr><tr><td>Acquisition-related and integration costs</td><td>254,973</td><td>3,675</td><td>20,883</td></tr><tr><td>Finance costs</td><td>42,099</td><td>19,395</td><td>17,123</td></tr><tr><td>Finance income</td><td>(5,318)</td><td>(3,552)</td><td>(2,419)</td></tr><tr><td>Other income</td><td>(3,955)</td><td>(7,647)</td><td>(952)</td></tr><tr><td>Foreign exchange gain</td><td>(1,134)</td><td>(3,365)</td><td>(916)</td></tr><tr><td>Share of profit on joint venture</td><td>(3,996)</td><td>(13,359)</td><td>-</td></tr><tr><td>Gain on sale of capital assets</td><td>-</td><td>-</td><td>(469)</td></tr><tr><td></td><td>4,509,528</td><td>3,686,107</td><td>3,254,381</td></tr><tr><td>Earning before income tax</td><td>262,926</td><td>537,835</td><td>477,736</td></tr><tr><td>Income tax expense</td><td>131,397</td><td>99,696</td><td>114,970</td></tr><tr><td>Net earnings</td><td>131,529</td><td>438,139</td><td>362,766</td></tr><tr><td>Earnings per share</td><td></td><td></td><td></td></tr><tr><td>Basic earnings per share</td><td>0.50</td><td>1.65</td><td>1.27</td></tr><tr><td>Diluted earnings per share</td><td>0.48</td><td>1.59</td><td>1.24</td></tr></table>		2012	2011	2010		C\$	C\$	C\$	Revenue	4,772,454	4,223,942	3,732,117	Operating expenses				Costs of services, selling and administrative	4,226,859	3,690,960	3,025,823	Amortisation	-	-	195,308	Acquisition-related and integration costs	254,973	3,675	20,883	Finance costs	42,099	19,395	17,123	Finance income	(5,318)	(3,552)	(2,419)	Other income	(3,955)	(7,647)	(952)	Foreign exchange gain	(1,134)	(3,365)	(916)	Share of profit on joint venture	(3,996)	(13,359)	-	Gain on sale of capital assets	-	-	(469)		4,509,528	3,686,107	3,254,381	Earning before income tax	262,926	537,835	477,736	Income tax expense	131,397	99,696	114,970	Net earnings	131,529	438,139	362,766	Earnings per share				Basic earnings per share	0.50	1.65	1.27	Diluted earnings per share	0.48	1.59	1.24
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clients</td><td>202,407</td><td>247,622</td><td>248,695</td></tr><tr><td>Total current assets</td><td>2,790,055</td><td>1,380,208</td><td>1,230,694</td></tr><tr><td>Property, plant and equipment</td><td>500,995</td><td>249,901</td><td>236,632</td></tr><tr><td>Contract costs</td><td>167,742</td><td>107,242</td><td>133,109</td></tr><tr><td>Intangible assets</td><td>858,892</td><td>292,133</td><td>369,036</td></tr><tr><td>Other long-term assets</td><td>96,351</td><td>55,593</td><td>41,623</td></tr><tr><td>Deferred tax assets</td><td>219,590</td><td>9,882</td><td>22,888</td></tr><tr><td>Investment in joint venture</td><td>-</td><td>26,373</td><td>22,814</td></tr><tr><td>Goodwill</td><td>5,819,817</td><td>2,536,022</td><td>2,525,413</td></tr><tr><td></td><td><u>10,453,442</u></td><td><u>4,657,354</u></td><td><u>4,582,209</u></td></tr><tr><td>Liabilities</td><td></td><td></td><td></td></tr><tr><td>Current liabilities</td><td></td><td></td><td></td></tr><tr><td> Bank 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		¹ In accordance with International Financial Reporting Standards.																																																																																																																																																																																								
		There has been no significant change in CGI's financial or trading position since 31 December 2012, being the end of the three month period from 30 September 2012 to 31 December 2012 to which CGI's interim financial information on Form 6-K for the fiscal quarter ended 31 December 2012 (the Form 6-K) relates. The Form 6-K was filed with the United States Securities and Exchange Commission (the SEC) on 30 January 2013.																																																																																																																																																																																								
B.8	Selected key pro forma financial information:	Not applicable: no pro forma financial information is included in this prospectus.																																																																																																																																																																																								
B.9	Profit forecast or estimate:	Not applicable: there are no profit forecasts or estimates in this prospectus.																																																																																																																																																																																								

B.10	<i>Audit report qualifications:</i>	Not applicable: there are no qualifications in the audit reports on the Group's historical financial information.
B.11	<i>Insufficient working capital:</i>	Not applicable: the working capital available to the Group is sufficient for its present requirements, that is, for at least 12 months following the date of this prospectus.
<i>Section C – Securities</i>		
C.1	<i>Type and class of securities admitted to trading and any identification number:</i>	Class A Shares. The Class A Shares are traded on the New York Stock Exchange (<i>NYSE</i>) under the symbol GIB and on the Toronto Stock Exchange (<i>TSE</i>) under the symbol GIB.A. The Class A Shares have ISIN number CA39945C1095.
C.2	<i>Currency of the securities issue:</i>	The Class A Shares have no par value. The currency of the Class A Shares listed on: (i) the NYSE is US dollars and (ii) the TSE is Canadian dollars.
C.3	<i>Number of shares in issue and par value:</i>	CGI's authorised share capital consists of: • an unlimited number of First Preferred Shares, issuable in series; • an unlimited number of Second Preferred Shares, issuable in series; • an unlimited number of Class A Shares; and • an unlimited number of Class B Shares, all without par value. As at 14 March 2013 (being the latest practicable date prior to publication of this prospectus), the issued and outstanding share capital of the Company was 275,495,889 Class A Shares and 33,608,159 Class B Shares. There are no First Preferred Shares or Second Preferred Shares in issue.
C.4	<i>Rights of securities:</i>	Each holder of Class A Shares will have the following rights: • to attend and vote at meetings of shareholders of the Company. Each Class A Share entitles the holder to one vote per share. Each Class B Share entitles the holder to ten votes per share; • to participate equally, share for share, in any dividend which may be declared, paid or set aside for payment; and • upon liquidation or dissolution of the Company or any other distribution of its assets among its shareholders for the purposes of winding up its affairs, to receive equal, share for share amounts of the assets of the Company available for payment or distribution to the holders of Class A Shares. If a takeover bid, exchange bid or issuer bid (other than an exempt bid) for the Class B Shares is made to the holders of Class B Shares without being made simultaneously and on the same terms and conditions to the holders of Class A Shares, each Class A Share shall become convertible into one Class B Share, at the holder's option, in order to entitle the holder to accept the offer from the date it is made. This right will be deemed not to come into effect if the offer is not completed by its offeror or if the senior executives and full-time employees of the Group and any corporate entity under the control of one or more of such senior executives, as owners, as a group, of more than 50 per cent. of the outstanding Class B Shares, do not accept the offer.

		The rights, privileges, conditions and restrictions attaching to Class A Shares may be amended if such amendment is authorised by at least two thirds of the votes cast at a meeting of the holders of Class A Shares and Class B Shares duly convened for that purpose. However, if the holders of Class A Shares as a class were to be affected in a manner different from that of the other classes of CGI shares, such amendment shall, in addition, be authorised by at least two thirds of the votes cast at a meeting of only the holders of Class A Shares.
C.5	<i>Restrictions on free transferability of the securities:</i>	Not applicable: there are no restrictions on the free transferability of the Class A Shares.
C.6	<i>Admission to trading on a regulated market:</i>	The Class A Shares are admitted to trading on the NYSE and on the TSE.
C.7	<i>Dividend policy:</i>	Considering the Company's needs for reinvestment into its operations and for large investment projects, the Company does not pay dividends. However, the board of Directors (the Board) continues to re-evaluate its dividend policy annually. In the 2012 fiscal year, the Company's needs for: (i) reinvestment into operations; (ii) investment projects; (iii) repayment of the Company's debt; and (iv) the repurchase by the Company of outstanding Class A Shares, influenced the Board's decision that the Company would not pay a dividend.
<i>Section D – Risks</i>		
D.1	<i>Key risks specific to the Company or its industry:</i>	- During an economic downturn, the Group's clients and potential clients may cancel, reduce or defer existing contracts and delay entering into new engagements. The Group's clients may also decide to undertake fewer IT systems projects during difficult economic times. Since there are fewer engagements in a downturn, competition usually increases and competitors may decrease prices to maintain or increase their market share. Should any of these factors occur, the Group's pricing, revenue or profitability could be negatively affected, which could have a material adverse effect on the business, revenues, results of operations, financial condition and prospects of the Group. - The Group faces vigorous competition for contracts. Some of the Group's competitors possess greater financial, marketing, sales resources, and larger geographic scope in certain parts of the world, than the Group does. In certain markets, the Group faces smaller competitors with specialised capabilities who may be able to provide competing services at lower cost. Clients' moving to a competitor or choosing a competitor rather than the Group could have a material adverse effect on the Group's market share and its business, revenues, results of operations, financial condition and prospects. - The Group is dependent on qualified IT professionals. If the Group is unable to attract and retain sufficient numbers of qualified professionals with the appropriate training, expertise and suitable government security clearances required to serve the needs of the Group's clients, the Group may have to rely on subcontractors or staff transfers. This might result in lost revenue or increased costs, thereby putting pressure on the Group's earnings, which could materially adversely effect the Group's business, revenues, results of operations, financial condition or prospects. - The Group may infringe on the intellectual property rights of others which may result in claims being made against the Group. Intellectual

		property claims or litigation brought against the Group could be time-consuming and costly, harm the Group's reputation, require the Group to enter into additional royalty or licensing arrangements, or prevent it from providing some solutions or services. Should any of these factors occur, they may have a material adverse effect on the Group's business, revenues, results of operations, financial conditions and prospects. • There can be no assurance that the Group's growth strategy will be successful. If the Group is unable to implement its growth strategy, it will likely be unable to maintain its historic or expected growth rates, which could materially adversely effect the Group's business, revenues, results of operations, financial condition and prospects. • If the Group fails to perform services in accordance with its contracts and its clients' reasonable expectations, or it fails to invoice clients correctly in a timely manner, the Group's collections could suffer which could materially adversely effect the Group's business, revenues, results of operations, financial condition or prospects. • The Group derives substantial revenues from contracts where the Group enters into teaming agreements with other providers. In some teaming agreements the Group is the prime contractor whereas in others the Group acts as a subcontractor. In both cases, the Group relies on its relationships with other providers to generate business and the Group expects to do so in the foreseeable future. If the Group fails to adequately maintain its relationships with these providers or the Group's relationship with these providers is otherwise impaired, the Group's business, revenues, results of operations, financial condition or prospects could be materially adversely affected. • The Group relies on third party subcontractors to fulfil its commitments under certain contracts. If those subcontractors fail to perform their obligations on time and on budget then the Group's ability to complete those contracts may be adversely affected, which could have a material adverse effect on the Group's business, revenues, results of operations, financial condition, prospects and profitability. • The Group derives a substantial portion of its revenue from the services it provides to various U.S. federal government departments and agencies. There can be no assurance that each such U.S. federal government department and agency will continue to utilise the Group's services to the same extent, or at all, in the future. If a major U.S. federal government department or agency were to limit, reduce, or eliminate the business it awards to the Group, the Group might be unable to recover the lost revenue with work from other U.S. federal government departments or agencies or other clients, which could materially adversely effect the Group's business, revenues, results of operations, financial condition and prospects. • Government spending reductions, budget cutbacks or policy changes could cause government agencies and departments with which the Group contracts to reduce their purchases under existing contracts, to exercise their right to terminate contracts, to issue temporary stop work orders, or not to exercise options to renew contracts. Should any of these factors occur, they could materially adversely effect the Group's business, revenues, results of operations, financial condition and prospects. • The Group's global operations require it to be compliant with numerous laws and regulations in many jurisdictions. Complying with these diverse requirements is challenging and consumes significant resources. These laws and regulations may: (i) impose conflicting requirements; (ii) not fully protect the Group's rights (including its intellectual property rights);

		or (iii) restrict the movement of the Group's cash and other assets, the repatriation of the Group's earnings or the import and export of certain of the Group's technologies, any of which could have a material adverse effect on the business, revenues, results of operations, financial condition, prospects and reputation of the Group. • CGI's reputation is key to its ability to compete effectively in the market for IT services. The nature of the Group's operations exposes the Group to the potential loss, unauthorised access to, or destruction of its clients' information, as well as temporary service interruptions. Such events may have a negative impact on the Group's reputation, its ability to obtain new clients and its ability to retain existing clients, which could materially adversely effect the Group's business, revenues, results of operations, financial condition and prospects. • The Group may face complex and time-consuming challenges in implementing the uniform standards, controls, procedures and policies across new operations to harmonise their activities with those of the Group's existing business units. Integration activities can result in unanticipated operational problems, expenses and liabilities. Should any of these factors occur, the Group will have difficulty achieving its growth and profitability objectives, which could materially adversely effect the Group's business, revenues, results of operations, financial condition and prospects. • There can be no assurance that the Group will be able to raise additional funds through equity or debt financing in amounts and on terms acceptable to the Group to fund future acquisitions and other growth opportunities. If the Group is unable to obtain the necessary funding, the Group may be forced to delay or postpone some or all of its development and expansion activities, which could materially adversely effect the Group's business, revenues, results of operations, financial condition and prospects.
D.3	<i>Key risks specific to the securities:</i>	• The price of Class A Shares may fluctuate as a result of a variety of factors, including: (i) speculation in the media or investment community about, or actual changes in the business, market share, organisational structure, operations, financial condition, financial or share price performance, prospects or executive team of CGI and/or its competitors; (ii) the announcement of new products, services, acquisitions, divestitures or other significant transactions by CGI and/or its competitors; (iii) the announcement of actual and/or anticipated financial results by CGI and/or its competitors; and (iv) Class A Share repurchases by CGI. Market conditions, stock market performance or macroeconomic and geopolitical factors unrelated to CGI's performance may also affect the price of Class A Shares. Employees should not rely on recent or historical trends to predict future share prices. • Sales of substantial numbers of Class A Shares, or the perception or any announcement that such sales could occur, could adversely affect the market price of Class A Shares and may make it more difficult for holders of Class A Shares to sell their Class A Shares at a time and price which they deem appropriate. • An additional offering of Class A Shares by the Company, or the public perception that an offering or sale may occur, could have an adverse effect on the market price of Class A Shares.

Section E – Offer		
E.1	<i>Net proceeds and estimated expenses:</i>	No new Class A Shares (or any other securities of CGI) will be issued in connection with this prospectus. Accordingly, no proceeds will be raised by CGI in respect of the offer contained in this prospectus. The Class A Shares which are available to be purchased under the Share Purchase Plan, the subject of this prospectus, have either: (i) been registered with the United States Securities and Exchange Commission (the SEC) and are trading on the NYSE or (ii) are trading on the TSE. No Class A Shares (or any other securities of CGI) are listed or admitted to trading on a regulated market within the EEA. As at the date of this prospectus, there is no intention to make an application for the Class A Shares, the subject of this prospectus, to be listed or admitted to trading on any such EEA regulated market. The number of Class A Shares purchased on the open market under the Share Purchase Plan will depend on a number of factors including the number of employees, the level of employee participation, the amount of contributions made by Participants and CGI in respect of share purchases and the value of Class A Shares at the time of purchase. The total costs, charges and expenses incurred by CGI in preparing this prospectus and in connection with the offer contained in this prospectus are estimated to be £555,000.
E.2a	<i>Reasons for the offer, use of proceeds and estimated net amount of proceeds:</i>	The Group has decided to offer its employees located in 17 countries in the EEA, namely: the United Kingdom, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Spain and Sweden (subject to the eligibility requirements described in Element E.3 below) the opportunity to participate in the Share Purchase Plan. This will allow eligible employees, upon implementation of the Share Purchase Plan in the relevant EEA member state, the opportunity to purchase Class A Shares on the open market. Such Class A Shares will be purchased by the trustee of the Share Purchase Plan (the Trustee) using contributions from such employees, together with any matching contributions from the Group. CGI believes that the Share Purchase Plan will encourage employee share ownership by providing a convenient means for employees of the Group who might not otherwise own Class A Shares to purchase and hold Class A Shares. CGI believes that the matching Group contribution feature of the Share Purchase Plan offers a meaningful incentive to employees to participate. CGI also believes that the continuing economic interests of participating employees, as shareholders, in CGI's performance will provide incentives for such employees to contribute to the Group's success and will contribute to the Group's potential for growth and profitability.

E.3	Terms and conditions of the offer:	The offer(s), the subject of this prospectus, are not made to the general public or to any person other than eligible employees of the Group located in the United Kingdom, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Spain and Sweden. Only such eligible employees of the Group may acquire Class A Shares pursuant to this prospectus in accordance with the plan documents of the Share Purchase Plan, following implementation of the Share Purchase Plan in the relevant EEA member state. The key terms of the Share Purchase Plan are summarised below: Share Purchase Plan <i>Overview</i> CGI established the Share Purchase Plan to enable eligible employees of the Group (the Participants) to purchase Class A Shares on the open market. Such Class A Shares are to be purchased by the Trustee, with contributions made to the Trustee by the Participants from deductions from net salary and by the Group. The Trustee shall hold the Class A Shares so purchased for the account of the Participants. <i>Eligibility and Participation</i> Upon implementation of the Share Purchase Plan in the relevant EEA member state, any full or part-time employee of the Group in such EEA member state who is actively at work at the time of enrollment is eligible to participate in the Share Purchase Plan. An employee ceases to be eligible to participate in the Share Purchase Plan on his or her last working day with the Group excluding any period representing pay in lieu of notice or other notice or payment on account of termination of employment. To become a Participant, the eligible employee should (unless directed otherwise) complete a participation notice (the Notice of Participation) and send this to the Company's secretary (the Corporate Secretary). The employee's participation in the Share Purchase Plan commences as soon as practicable in accordance with the Company's procedures following receipt by the Company of the Notice of Participation. <i>Contributions</i> The Participant contributes to the Share Purchase Plan through deductions at source, withheld from the Participant's net salary. The contribution amount is based on a percentage of the Participant's annual gross base salary effective on the date on which the Participant joins the Share Purchase Plan (the Participant Basic Contribution), such percentage (the Participant Contribution Percentage) to be determined from time to time by either the Founder and Executive Chairman of the Board or the President and Chief Executive Officer. Such percentage may vary by position and by business unit, as well as over time, as either the Founder and Executive Chairman of the Board or the President and Chief Executive Officer may in his discretion determine, provided that the percentage cannot exceed 3.5 per cent. The Participant Basic Contribution is remitted by the Group to the Trustee at each pay period of the Participant.

		The Group contributes to the Share Purchase Plan for the account of each Participant an amount equal to a percentage of the Participant Basic Contribution (excluding additional contributions provided for in the paragraph immediately below). The percentage of the Participant Basic Contribution that the Group is required to pay is determined from time to time by either the Founder and Executive Chairman of the Board or the President and Chief Executive Officer, provided that the Group's contribution cannot exceed 100 per cent. of the aggregate amount contributed to the Share Purchase Plan by each Participant as Participant Basic Contribution. The percentage that the Group contributes may vary by position and by business unit, as well as over time, as either the Founder and Executive Chairman of the Board or the President and Chief Executive Officer may in his discretion determine. The Group may, in addition to the contributions provided above, pay to the Trustee, at its discretion, any amount as additional contribution to the Share Purchase Plan and the Trustee will purchase Class A Shares on the secondary market through an exchange on which the Class A Shares are listed in accordance with the instructions of that Group company. The allocation of such Class A Shares will be made for the account of the Participants. The Group pays in advance to the Trustee on the first business day of each month an amount equal to the Group's contributions computed for the calendar month preceding such payment. At the end of each month, the Trustee determines, for such month, the amount of the Group's contributions which should have been paid according to the aggregate amount of contributions paid by the Participants during such month and in the event an excess amount was paid by the Group through a monthly installment, the Trustee deducts such excess amount from the installment to be made by the Group the following month. Notwithstanding this, the Group may pay to the Trustee its contributions at the time the Group pays the Participant Basic Contribution. A Participant may make additional contributions to the Share Purchase Plan in excess of the Participant Basic Contribution ranging between 0.5 per cent. and 10 per cent. of his or her annual gross base salary, and this, by increments of 0.5 per cent. without taking into account the rate of participation provided above, in accordance with the same terms and conditions provided above. However, the Group will not match such additional contributions by the Participant. <i>Purchase of Class A Shares and Use of Cash Distributions</i> The Trustee, upon receipt of the Participants' and the Group's contributions, purchases Class A Shares on the secondary market through an exchange on which the Class A Shares are listed, being the TSE and/or the NYSE (as applicable). The Trustee executes buying orders on receipt of the contributions at the market price on the purchase dates and, if possible, in board lots. The Class A Shares purchased by the Trustee out of the contributions made by the Participants and the Group are attributed to the account of the Participants in accordance with the contributions made by the Participants and the Group and are held by the Trustee for the account of the Participants. All cash dividends and other cash distributions received by the Trustee in respect of Class A Shares held by the Trustee for the account of Participants are used by the Trustee to purchase further Class A Shares. The Class A Shares so acquired are allocated to the Participants in proportion to their respective interests. Stock dividends received by the Trustee in respect of Class A Shares are held by the Trustee for the account of Participants.

		<i>Reports</i> The Trustee issues to each Participant, through its website, on or before 1 November, 1 February, 1 May and 1 August of each year (or on any other date to be determined by the Company and the Trustee), an electronic report showing, as of the 30 September, 31 December, 31 March and 30 June preceding, the number of Class A Shares held by the Trustee for the account of each Participant on such dates and stating also the number of Class A Shares corresponding to the additional contributions of the Participant. If a Participant wishes to obtain all quarterly statements in a hard copy format, a request may be addressed to the Trustee. <i>Termination or Suspension of Participation in, and Withdrawal from, the Share Purchase Plan</i> To terminate his or her participation in the Share Purchase Plan at any time, a Participant should (unless directed otherwise) send a notice of termination (the Notice of Termination) to the Company and the Trustee. Such Participant may decide to maintain his or her Class A Shares in the Share Purchase Plan or withdraw all or part of those Class A Shares in accordance with the withdrawal provisions immediately below. A Participant may at any time withdraw, partially or in full, the Class A Shares that the Trustee holds for his or her account by sending a notice of withdrawal (the Notice of Withdrawal) to the Company and the Trustee (in the form and manner specified by the Trustee from time to time). Upon receipt of the Notice of Withdrawal, the Trustee will sell the Class A Shares held for the account of the Participant and pay to the Participant an amount in cash equal to the proceeds of such sale, less brokerage fees together with, in the case of a complete withdrawal, every other property held by the Trustee pursuant to the Share Purchase Plan for the account of the Participant. The Participant may alternatively elect to receive Class A Shares in lieu of cash payment. In such case, the Trustee will deliver to the Participant a direct registration statement (Direct Registration Statement) representing such Class A Shares registered in the name of the Participant. A Direct Registration Statement can only be issued if it represents a minimum of 100 Class A Shares. If a Participant's employment terminates for any reason whatsoever and the Participant does not notify the Trustee and the Group of his or her choice in the manner described below (immediately after his or her last contribution has been processed), the Trustee will, upon receipt of a notice of termination of employment from the Group, (i) issue a Direct Registration Statement for the Class A Shares held by the Trustee for the account of the Participant or (ii) sell the Class A Shares held by the Trustee for the account of the Participant, if it represents less than 100 Class A Shares, on the secondary market through an exchange on which the Class A Shares are listed and pay to the Participant an amount in cash equal to the proceeds of such sale, less brokerage fees, together with any other property held by the Trustee pursuant to the Share Purchase Plan for the account of the Participant. However, the Participant may make the election to receive a Direct Registration Statement as discussed in the paragraph immediately above by giving a notice to the Group and to the Trustee immediately after his or her last contribution has been attributed to the account of the Participant. The date of termination of employment means the Participant's last day of work for the Group, excluding any period representing pay in lieu of notice or other payment or notice on account of termination of employment.

		In the event that a Participant is absent from work for any period of time and for any reason and that the Participant receives no salary from the Group during such absence, the Participant's participation in the Share Purchase Plan is automatically suspended until the Participant returns to work or until the Participant elects to terminate his or her participation in the Share Purchase Plan. <i>Administration and Amendment, Suspension or Termination of the Share Purchase Plan</i> The Board or any committee appointed by the Board has full power and authority with respect to the interpretation of the Share Purchase Plan and to the ratification of the rules, terms and other measures it may deem necessary for the management of the Share Purchase Plan. The Board or any committee appointed by the Board may at any time amend, suspend or terminate the Share Purchase Plan; however, no modification, suspension or termination of the Share Purchase Plan may affect any vested right that a Participant may have in respect of the Class A Shares subject to the Share Purchase Plan or of the Share Purchase Plan until the date of such amendment, suspension or termination of the Share Purchase Plan. In the event of termination of the Share Purchase Plan, the Trustee will remit as soon as possible to each Participant a Direct Registration Statement or certificate representing the Class A Shares together with any other property held by the Trustee pursuant to the Share Purchase Plan for the account of such Participant. <i>Governing Laws</i> The Share Purchase Plan is governed by and construed in accordance with the laws of the Province of Québec, Canada.
E.4	<i>Interests material to the issue/offer, including conflicting interests:</i>	Not applicable: there are no interests (including conflicts of interest) which are material to the issue/offer.
E.5	<i>Name of the person or entity offering to sell the securities and details of any lock-up agreements:</i>	Not applicable: no person or entity is offering to sell the Class A Shares and there are no lock-up agreements for Class A Shares purchased pursuant to the Share Purchase Plan.
E.6	<i>Amount and percentage of immediate dilution resulting from the offer:</i>	Not applicable: the Class A Shares purchased pursuant to the Share Purchase Plan to which this prospectus relates are already in issue and trading on the open market, therefore no dilution will result from the offer.
E.7	<i>Estimated expenses charged to the investor by the Company:</i>	Not applicable: no expenses will be charged to the investor by the Company.

RISK FACTORS

Any investment in the Class A Shares is subject to a number of risks. Prior to investing in the Class A Shares, employees should consider carefully the factors and risks associated with any investment in the Class A Shares, the Group's business and the industry in which it operates, together with all other information contained in this prospectus including, in particular, the risk factors described below. Employees should note that the risks relating to the Group, its industry and the Class A Shares summarised in the section of this document headed "Summary" are the risks that the Company believes to be the most essential to an assessment by an employee of whether to consider an investment in the Class A Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, employees should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below. The following is not an exhaustive list or explanation of all risks which employees may face when making an investment in the Class A Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, revenues, results of operations, financial condition or prospects and, if any such risk should occur, the price of the Class A Shares may decline and employees could lose all or part of their investment. Employees should consider carefully whether an investment in the Class A Shares is suitable for them in the light of the information in this prospectus and their personal circumstances.

Risks Related to the Market

The Group's clients are affected by recessionary economic conditions which could have a material adverse effect on the Group

The level of business activity of the Group's clients, which is affected by economic conditions, has a bearing upon the results of the Group's operations. The Group can neither predict the impact that current economic conditions will have on the Group's future revenue, nor predict when economic conditions will show meaningful improvement. During an economic downturn, the Group's clients and potential clients may cancel, reduce or defer existing contracts and delay entering into new engagements, which could have a material adverse effect on the business, revenues, results or operations, financial condition or prospects of the Group. In general, the Group's clients may 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 the Group's industry and this may trigger pricing adjustments related to the benchmarking obligations within the Group's contracts (see the risk factor entitled "*Certain contracts allow the Group's clients to reevaluate the price the Group charges for its services*" below). Any of these factors could negatively impact the Group's pricing, revenue or profitability, which could have a material adverse effect on the business, revenues, results or operations, financial condition and prospects of the Group.

Risks Related to the Group's Industry

The Group faces vigorous competition for contracts

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

competitor rather than the Group could have a material adverse effect on the Group's market share and its business, revenues, results of operations financial condition and prospects.

The Group is dependent on qualified IT professionals

There is strong demand for qualified individuals in the IT industry. Hiring and retaining a sufficient amount of individuals with the desired knowledge and skill set may be difficult. Therefore, it is important that the Group remains able to successfully attract and retain highly qualified professionals and establish an effective succession plan. If the Group's comprehensive programs aimed at attracting and retaining qualified and dedicated professionals do not ensure that the Group has staff in sufficient numbers and with the appropriate training, expertise and suitable government security clearances required to serve the needs of the Group's clients, the Group 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 the Group's earnings, which could materially adversely effect the Group's business, revenues, results of operations, financial condition or prospects.

The Group may be unable to continue developing and expanding service offerings to address emerging business demands and technology trends

The rapid pace of change in all aspects of IT and the continually declining costs of acquiring and maintaining IT infrastructure mean that the Group must anticipate changes in the Group's clients' needs. To do so, the Group must adapt the Group's services and the Group's solutions so that the Group maintains and improves the Group's competitive advantage and remain able to provide cost effective services. The market for the services and solutions the Group offers is extremely competitive and there can be no assurance that the Group will succeed in developing and adapting the Group's business in a timely manner. If the Group does not keep pace, the Group's ability to retain existing clients and gain new business may be adversely affected, which could have a material adverse effect on the business, revenues, results of operation, financial condition and prospects of the Group.

The Group may infringe on the intellectual property rights of others which may result in claims being made against the Group or the Group's clients

The steps the Group takes to ensure that its 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 the Group or the Group's clients. The Group enters 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 the Group's own intellectual property or software or other solutions developed for the Group's clients. Intellectual property claims or litigation could be time-consuming and costly, harm the Group's reputation, require the Group to enter into additional royalty or licensing arrangements, or prevent it from providing some solutions or services. Any limitation on the Group's ability to sell or use solutions or services that incorporate software or technologies that are the subject of a claim could cause it to lose revenue-generating opportunities or require it to incur additional expenses to modify solutions for future projects. Should any of these factors occur, they may have a material adverse effect on the Group's business, revenues, results of operations, financial conditions and prospects.

Certain contracts allow the Group's clients to reevaluate the price the Group charges for its services

Some of the Group's outsourcing contracts contain clauses allowing the Group's 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, the Group may be required to work with clients to reset the pricing for their services, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group may be unable to protect its intellectual property rights

The Group's success depends, in part, on its ability to protect its proprietary methodologies, processes, know-how, tools, techniques and other intellectual property that it uses to provide its services. 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 the Group's rights can be substantial and, in certain cases, may prove to be uneconomic. In addition, the laws of some countries in which the Group conducts business may offer only limited intellectual property rights protection. Despite the Group's efforts, the steps taken to protect the Group's intellectual property may not be adequate to prevent or deter infringement or other misappropriation of intellectual property, and the Group may not be able to detect unauthorised use of the Group's intellectual property, or take appropriate steps to enforce the Group's intellectual property rights. Should any of these factors occur, they may have a material adverse effect on the Group's business, revenues, results of operations, financial conditions and prospects.

Risks Related to the Group's Business

The Group faces various risks associated with its growth strategy

CGI's *Build and Buy* growth strategy is founded on four pillars of growth: first, organic growth through contract wins, renewals and extensions in the areas of outsourcing and system integration; second, the pursuit of new large outsourcing contracts; third, acquisitions of smaller firms or niche players; and fourth, transformational acquisitions. The Group's ability to grow through organic growth and new large outsourcing transactions is affected by a number of factors outside of the Group's control, including a lengthening of the Group's sales cycle for major outsourcing contracts. The Group's ability to grow through niche and transformational acquisitions requires that the Group identifies suitable acquisition targets and that the Group correctly evaluates their potential as transactions that will meet the Group's financial and operational objectives. There can be no assurance that the Group will be able to identify suitable acquisition candidates and consummate additional acquisitions that meet the Group's economic thresholds, or that future acquisitions will be successfully integrated into the Group's operations and yield the tangible accretive value that had been expected. If the Group is unable to implement the Group's *Build and Buy* strategy, the Group will likely be unable to maintain the Group's historic or expected growth rates, which could materially adversely effect the Group's business, revenues, results of operations, financial condition and prospects.

The Group's financial results may fluctuate materially depending on a number of factors, many of which are out of the Group's control

The Group's ability to maintain and increase its revenues for any period is affected not only by the Group's success in implementing its *Build and Buy* strategy, but also by a number of other factors, including: the Group's ability to introduce and deliver new services and products; a lengthened sales cycle; the cyclicity of purchases of technology services and products; the nature of a customer's business; and the structure of agreements with customers. For example, clients are increasingly demanding extended terms of payment, often stretching for more than a year. These factors make it difficult to predict financial results for any given period. Should the Group be unable to maintain and increase its revenues, this could have a material adverse effect on the Group's business, revenues, financial conditions and prospects.

The Group is exposed to business mix variations

The proportion of revenue that the Group generates 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, as the revenue from *SI&C* projects does not provide long-term consistency in revenue. Such variations could therefore result in losses or increased costs in order to rectify the revenue structure and achieve consistent, long-term revenue, which could have a material adverse effect on the Group's business, revenues, financial conditions and prospects.

The Group operates in numerous countries around the world and is exposed to the risks of doing business internationally

The Group manages operations in numerous countries around the world. The scope of the Group's operations subjects the Group to the following issues that can negatively impact the Group's operations: currency fluctuations; the burden of complying with a wide variety of national and local laws; the differences in and uncertainties arising from local business culture and practices; political, social and economic instability including the threats of terrorism, civil unrest, war, natural disasters and pandemic illnesses. Any or all of these risks could impact the Group's global business operations and cause the Group's profitability to decline, which could materially adversely effect the Group's business, revenues, results of operations, financial condition and prospects.

The Group faces various organisational challenges and obstacles associated with its size

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

The Group's actual tax benefits or tax liabilities may be materially different from the Group's estimates or expectations

In estimating the Group's income tax payable, the Group's management uses accounting principles to determine income tax positions that are likely to be sustained by applicable tax authorities. However, there is no assurance that the Group's tax benefits or tax liability will not materially differ from the Group's estimates or expectations. The tax legislation, regulation and interpretation that apply to the Group's operations are continually changing. In addition, future tax benefits and liabilities are dependent on factors that are inherently uncertain and subject to change, including future earnings, future tax rates, and anticipated business mix in the various jurisdictions in which the Group operates. Moreover, the Group's tax returns are continually subject to review by applicable tax authorities; it is these tax authorities that will make the final determination of the actual amounts of taxes payable or receivable, of any future tax benefits or liabilities and of income tax expense that the Group may ultimately recognise. Any of the above factors could have a material adverse effect on the Group's net income or cash flows by affecting the Group's operations and profitability, the availability of tax credits, the cost of the services the Group provides, and the availability of deductions for operating losses as the Group develops its international service delivery capabilities.

Failure to collect the amounts owed to it in an efficient and timely manner may expose the Group to credit risk in respect of its accounts receivables

Although the Group maintains provisions to account for anticipated shortfalls in amounts collected from its clients, the provisions the Group takes are based on management estimates and on the Group's assessment of the Group's clients' creditworthiness which may prove to be inadequate in the light of actual results. To the extent that the Group fails to perform the Group's services in accordance with its contracts and the Group's clients' reasonable expectations, and to the extent that the Group fails to invoice clients for the Group's services correctly in a timely manner, the Group's collections could suffer which could materially adversely effect the Group's business, revenues and net earnings. 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, which could, materially effect the Group's business, revenues, results of operations, financial conditions or prospects.

Material developments at the Group's major commercial clients resulting from such causes as changes in the client's financial condition, mergers or business acquisitions could have a material adverse effect on the Group

Consolidation among the Group's clients resulting from mergers and acquisitions may result in loss or reduction of business when the successor business' IT needs are served by another service provider or are provided by the successor company's own personnel. Growth in a client's IT needs resulting from acquisitions or operations may mean that the Group no longer has 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 the Group's future prospects. There can be no assurance that the Group will be able to achieve the objectives of the Group's growth strategy in order to maintain and increase the Group's geographic scope and critical mass in the Group's targeted markets. Loss of clients or a reduction of business from client's or a failure by the Group to achieve the objectives of its growth strategy could have a material adverse effect on the Group's business, revenues, results of operations, financial condition and prospects.

The Group is subject to early termination risk on certain of its contracts with clients

If the Group should fail to deliver its services according to contractual agreements, some of the Group's clients could elect to terminate contracts before their agreed expiry date. In addition, a number of the Group's 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 the Group's control or beyond the control of the Group's client prevent the contract from continuing. In cases of early termination, the Group may not be able to recover capitalised contract costs and it may not be able to eliminate ongoing costs incurred to support the contract. Should clients of the Group elect to terminate their contracts early for any of the above reasons, this could have a material adverse effect on the Group's business, revenues, results of operations, financial condition and prospects.

The Group is subject to cost estimation risks when pricing services for its clients

In order to generate acceptable margins, the Group's pricing for services is dependent on the Group's ability to accurately estimate the costs and timing for completing projects or long-term outsourcing contracts. In addition, a significant portion of the Group's 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 the Group's clients, and revenue is recognised 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 the Group's best judgment regarding the efficiencies of the Group's methodologies and members as the Group plans 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 standards throughout the organisation. If the Group fails to apply the CPMF correctly or if the Group is unsuccessful in accurately estimating the time or resources required to fulfil the Group's obligations under a contract, or if unexpected factors, including those outside of the Group's control, arise, there may be an impact on costs or the delivery schedule which could have a material adverse effect on the Group's business, revenues, results of operations, financial condition and prospects.

The Group relies on its relationships with other providers in order to generate business. Failure to adequately maintain these relationships may have a material adverse effect on the Group

The Group derives substantial revenues from contracts where the Group enters into teaming agreements with other providers. In some teaming agreements the Group is the prime contractor whereas in others the Group acts as a subcontractor. In both cases, the Group relies on its relationships with other providers to generate business and the Group expects to do so in the foreseeable future. Where the Group acts as prime contractor, if the Group fails to maintain the Group's relationships with other providers, the Group may have difficulty attracting suitable participants in the Group's teaming agreements. Similarly, where the Group acts as subcontractor, if the Group's relationships are impaired, other providers might reduce the work they award to us, award that work to the Group's competitors, or choose to offer the services directly

to the client in order to compete with the Group's business. In either case, if the Group fails to adequately maintain its relationships with these providers or the Group's relationship with these providers is otherwise impaired, the Group's business, revenues, results of operations, financial condition or prospects could be materially adversely affected.

The Group relies on third party subcontractors delivering on their commitments

Increasingly large and complex contracts may require that the Group relies on third party subcontractors, including software and hardware vendors, to help the Group fulfil its commitments. Under such circumstances, the Group's success depends on the ability of the third parties to perform their obligations within agreed upon budgets and timeframes. If the Group's partners fail to deliver, the Group's ability to complete the contract may be adversely affected, which could have a material adverse effect on the Group's business, revenues, results of operations, financial condition, prospects and profitability.

The Group may be exposed to liabilities under guarantees and indemnities that it has provided to counterparties, which could have a material adverse effect on the Group

In the normal course of business, the Group 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 Group 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 sums, cash, expenses or legal fees arising from the Group honouring or challenging the amounts sought by such counterparties under these indemnities or guarantees could have a material adverse effect on the Group's business, revenues, results of operations, financial condition or prospects.

Failure to properly manage its human resources utilisation rates could have a material adverse effect on the Group

In order to maintain the Group's profit margin, it is important that the Group maintains the appropriate availability of professional resources in each of the Group's geographies by having a high utilisation rate while still being able to assign additional resources to new work. Maintaining an efficient utilisation rate requires the Group to forecast its needs for professional resources accurately and to manage recruitment activities, professional training programs, attrition rates and restructuring programs appropriately. To the extent that the Group fails to do so, or to the extent that laws and regulations, particularly those in Europe, restrict the Group's ability to do so, the Group's utilisation rates may be reduced which could have a material adverse effect on the Group's business, revenues, results of operations, financial condition and prospects. Conversely, the Group may find that the Group does not have sufficient resources to deploy against new business opportunities in which case the Group's ability to grow its revenues would suffer, which could materially adversely effect the Group's business, revenues, results of operations, financial condition or prospects.

The Group derives a substantial portion of its revenues from various U.S. federal government departments and agencies

The Group derives a substantial portion of its revenue from the services it provides to various U.S. federal government departments and agencies. There can be no assurance that each such U.S. federal government department and agency will continue to utilise the Group's services to the same extent, or at all, in the future. In the event that a major U.S. federal government department or agency were to limit, reduce, or eliminate the business it awards to the Group, the Group might be unable to recover the lost revenue with work from other U.S. federal government departments or agencies or other clients, which could materially adversely effect the Group's business, revenues, results of operations, financial condition and prospects. This risk is mitigated by the fact that the Group's client base in the U.S. government economic sector is diversified with contracts from many different departments and agencies.

Changes in government spending policies or budget priorities could have a material adverse effect on the Group

Changes in government spending policies or budget priorities could materially affect the Group's financial performance. Among the factors that could harm the Group's 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 the Group's invoices by government payment offices; and general economic and political conditions. These 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. Should any of these factors occur they could materially adversely effect the Group's business, revenues, results of operations, financial condition and prospects. In addition, government spending reductions or budget cutbacks at these departments or agencies could harm the Group's continued performance under these contracts, or limit the awarding of additional contracts from these agencies, which could have a material adverse effect on the Group's business, revenues, results of operations, financial condition or prospects.

The Group's global operations require it to comply with numerous laws and regulations, some of which impose restrictions on the Group's activities

The Group's global operations require it to be compliant with laws in many jurisdictions on matters such as: anticorruption, trade restrictions, immigration, taxation, securities regulation, anti-competition, data privacy and labour relations, amongst others. Complying with these diverse requirements worldwide is a challenge and consumes significant resources. Some of these laws may impose conflicting requirements; the Group may face the absence in some jurisdictions of effective laws to protect the Group's intellectual property rights; there may be restrictions on the movement of cash and other assets; or restrictions on the import and export of certain technologies; or restrictions on the repatriation of earnings and reduce the Group's earnings, all of which may expose the Group to penalties for non-compliance and any of which could have a material adverse effect on the business, revenues, results of operations, financial condition, prospects and reputation of the Group.

In addition, the Group's business with the U.S. federal government and its agencies requires that the Group complies 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, the Group is routinely subject to audits by U.S. government agencies with respect to compliance with these rules. If the Group fails to comply with these requirements the Group may incur penalties and sanctions, including contract termination, suspension of payments, suspension or debarment from doing business with the federal government, and fines. Should any of these factors occur, they may have a material adverse effect on the Group's business, revenues, results of operations, financial conditions and prospects.

The Group may be exposed to liabilities arising from legal claims made against the Group's work which could have a material adverse effect on the Group

The Group creates, implements and maintains IT solutions that are often critical to the operations of the Group's clients' business. The Group's ability to complete large projects as expected could be adversely affected by unanticipated delays, renegotiations, and changing client requirements or project delays. Also, the Group's solutions may suffer from defects that adversely affect their performance; they may not meet the Group's clients' requirements or may fail to perform in accordance with applicable service levels. Such problems could subject the Group to legal liability which could materially adversely effect the Group's business, revenues, results of operations, financial condition, prospects and reputation.

The Group typically includes provisions in its contracts which are designed to limit the Group's exposure to legal claims relating to the Group's services and the applications the Group develops. However, these provisions may not protect the Group adequately or may not be enforceable under some circumstances or under the laws of some jurisdictions. Should such provisions not adequately affect the Group or should

such provisions be deemed to be unenforceable, this may have a material adverse effect on the Group's business, revenues, results of operations, financial conditions and prospects.

The Group is subject to information and infrastructure risks in respect of its client's data

The Group's business often requires that the Group's clients' applications and information, which may include their proprietary information, be processed and stored on the Group's networks and systems, and in data centres that the Group manages. Digital information and equipment is subject to loss, theft or destruction, and services that the Group provides 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 unauthorised access by third parties, as well as from power outages or surges, floods, fires, natural disasters or from any other causes. The measures that the Group takes 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. Should any of these factors occur, they may have a material adverse effect on the Group's business, revenues, results of operations, financial conditions and prospects.

The Group's reputation and its ability to obtain and retain clients may be adversely effected by the potential loss, unauthorised access to, or destruction of its clients' information, as well as temporary service interruptions

The Group's reputation as a capable and trustworthy service provider and long term business partner is key to its ability to compete effectively in the market for IT services. The nature of the Group's operations exposes the Group to the potential loss, unauthorised access to, or destruction of the Group's 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 Group is perceived in the marketplace. Under such circumstances, the Group's reputation, its ability to obtain new clients and its ability to retain existing clients could suffer, which could materially adversely effect the Group's business, revenues, results of operations, financial condition and prospects.

The Group is subject to various integration risks in respect of its new operations

The successful integration of new operations that arise from the Group's 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 the Group's existing operations. In addition, the Group may face complex and potentially time-consuming challenges in implementing the uniform standards, controls, procedures and policies across new operations to harmonise their activities with those of the Group's existing business units. Integration activities can result in unanticipated operational problems, expenses and liabilities. If the Group is not successful in executing its integration strategies in a timely and cost-effective manner, the Group will have difficulty achieving the Group's growth and profitability objectives, which could materially adversely effect the Group's business, revenues, results of operations, financial condition and prospects.

The Group may need to raise equity or debt financing in order to fund any currently unidentified or unplanned future acquisitions and other growth opportunities

The Group's future growth is dependent on its ability to grow the business organically as well as concluding large outsourcing contracts and business acquisitions. In the event that the Group needs to raise additional funds through equity or debt financings to fund any currently unidentified or unplanned future acquisitions and other growth opportunities, there can be no assurance that such financing will be available in amounts or on terms acceptable to the Group. The Group's ability to raise the required funding depends on the capacity of the capital markets to meet such equity and/or debt financing needs in a timely fashion and on the basis of interest rates and/or share prices that are reasonable in the context of the Group's commercial objectives. Increasing interest rates, volatility in the Group's share price, and the capacity of the Group's lenders to provide such debt financing are all factors that may have an adverse effect on any

acquisitions or growth activities that the Group may, in the future, identify or plan. If, in the future, the Group has identified or planned an acquisition or growth opportunity which it is unable to obtain the necessary financing for, the Group may be forced to delay or postpone some or all of such development and expansion activity, which could materially adversely effect the Group's business, revenues, results of operations, financial condition and prospects.

The Group is subject to foreign exchange rate risks

The Group's reporting currency is Canadian dollars. However the majority of the Group's revenue and costs are denominated in currencies other than the Canadian dollar. Foreign exchange fluctuations impact the results of the Group's operations as they are reported in Canadian dollars. This risk is partially mitigated by a natural hedge in matching the Group's costs with revenue denominated in the same currency and through the use of derivatives in the Group's world-wide hedging strategy. However, as the Group continues its global expansion, natural hedges may begin to diminish. There can also be no assurance that the Group's hedging strategy and arrangements will offset the impact of fluctuations in currency exchange rates, which could materially adversely effect the Group's business, revenues, results of operations, financial condition or prospects. Other than the use of financial products to deliver on the Group's hedging strategy, the Group does not trade derivative financial instruments.

With the Group's expanded presence in Europe, uncertainty regarding the ability of certain European countries to continue servicing their sovereign debt and related austerity measures may destabilise the Euro. Similarly, given the scope of the Group's U.S. operations, if the U.S. dollar continues to weaken against the Canadian dollar, the Group's worldwide financial results may not reach expectations. Should the Group's worldwide financial results not reach expectations, whether as a result of a destabilised Euro, a weak U.S. dollar or otherwise, this could have a material adverse effect on the Group's business, revenues, results of operations, financial conditions and prospects.

Risks Related to Investment in the Company's Class A Shares

The trading price of the Class A Shares may be volatile and subject to wide fluctuations

The price of CGI's Class A Shares may be volatile and subject to wide fluctuations, which may make future prices of CGI's Class A Shares difficult to predict. CGI's share price may fluctuate as a result of a variety of factors, including:

- (a) speculation in the media or investment community about, or actual changes in, CGI's and/or its competitors' business, strategic position, market share, organisational structure, operations, financial condition, financial reporting and results, value or liquidity of CGI's and/or its competitors' investments, exposure to market volatility, prospects, business combination or investment transactions, share price performance or executive team;
- (b) the announcement of new or planned products, services, acquisitions, divestitures or other significant transactions by CGI and/or its competitors;
- (c) increases or decreases in revenue, gross margin, earnings or cash flow from operations, changes in estimates by the investment community or guidance provided by CGI and variations between actual and estimated financial results;
- (d) announcements of actual and anticipated financial results by CGI's competitors and other companies in the IT and business process services industry;
- (e) the timing and amount of any share repurchases by CGI; and
- (f) the sale by existing CGI shareholders of substantial amounts of shares in the public market, or the perception that such sales might occur.

General or industry specific market conditions or stock market performance or domestic or international macroeconomic and geopolitical factors unrelated to CGI's performance may also affect the price of CGI's

Class A Shares. For these reasons, employees should not rely on recent or historical trends to predict future share prices, financial condition, results of operations or cash flows. In addition, following periods of volatility in a company's securities, securities class action litigation against a company is sometimes instituted. If instituted against CGI, this type of litigation could result in substantial costs and the diversion of management time and resources.

Substantial future sales of Class A Shares or the availability of Class A Shares for future sales could impact the market price of Class A Shares

The Company cannot predict what effect, if any, future sales of Class A Shares, or the availability of Class A Shares for future sale, will have on the market price of Class A Shares. Sales of substantial numbers of Class A Shares on the public market, or the perception or any announcement that such sales could occur, could adversely affect the market price of Class A Shares and may make it more difficult for holders of Class A Shares to sell their Class A Shares at a time and price which they deem appropriate.

Further issues of Class A Shares could impact the market price of Class A Shares

It is possible that the Company may decide to offer additional Class A Shares in the future although the Company has no current plans to do so. An additional offering of Class A Shares by the Company, or the public perception that an offering or sale may occur, could have an adverse effect on the market price of Class A Shares. Other than in relation to the exercise of any options under the Company's share option plans, the Company currently has no plans to issue any Class A Shares during the 12 months from the date of this prospectus.

Risks Related to Dividend Payments

CGI does not currently pay a dividend. Although the Board continues to re-evaluate its dividend policy annually, there can be no guarantee that CGI's dividend policy will change and that Participants will receive dividends on their Class A Shares in the future.

FORWARD-LOOKING STATEMENTS

Some statements in this prospectus or the documents incorporated by reference into this prospectus are forward-looking. Forward-looking information is based on projections and estimates, not historical information.

Forward-looking information involves risk and uncertainties and reflects the Group's, or as appropriate, the Directors' best judgment based on current information. The Group's results of operations can be affected by inaccurate assumptions the Group makes or by known or unknown risks and uncertainties. In addition, other factors may affect the accuracy of the Group's forward-looking information. As a result, no forward-looking information can be guaranteed. Actual events and the results of operations may vary materially. Any such information shall be updated as required by the Prospectus Rules.

PART 1: ADDITIONAL INFORMATION

1. PRINCIPAL INVESTMENTS

1.1 In the last three fiscal years, the Group has undertaken two significant investments:

Acquisition of Logica

On 20 August 2012, CGI completed its acquisition of Logica for C\$1.63 (105 pence) per ordinary share, equivalent to a total purchase price of C\$2.7 billion plus the assumption of Logica's net debt of C\$0.9 billion. The cash acquisition of all the outstanding ordinary shares of Logica was effected by means of a court-sanctioned scheme of arrangement in the United Kingdom.

Logica is a business and technology services company that, at the time of its acquisition, employed approximately 41,000 people. It provides business consulting, systems integration and outsourcing services to clients around the world, including many of Europe's largest businesses.

The acquisition was funded through a combination of:

- (a) the issuance of 46.7 million Class A Shares in CGI for a consideration of C\$1.0 billion from Caisse;
- (b) additional debt funding through a term loan of C\$1.9 billion from a syndicate of international financial institutions; and
- (c) the remaining financing requirements of C\$0.8 billion were drawn from CGI's existing credit facility and cash.

For further information on the merger with Logica, see Part 1 Paragraph 13 and pages F-574-576 and F-784 in Part 6 Section 2 of this prospectus.

Acquisition of Stanley

On 7 May 2010, CGI announced a definitive merger agreement with Stanley, a provider of IT services and solutions to US 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 17 August 2010, CGI completed its cash tender offer which was funded from CGI's cash on hand and existing credit facilities. The total cash consideration for this transaction was C\$923.2 million.

For further information on the Stanley acquisition, see Part 1 Paragraph 13 and pages F-20, F-184, F-319 and F-583 in Part 6 Section 2 of this prospectus.

1.2 In addition, since February 2005 the Group has carried out an annual share repurchase programme, under which the Company has been authorised by the Board to repurchase on the open market up to 10 per cent. of the public float of the Class A Shares per year for cancellation. In the 2010 fiscal year the Company repurchased 35,602,085 Class A Shares. In the 2011 fiscal year the Company repurchased 16,373,400 Class A Shares. In the 2012 fiscal year, the Company repurchased 5,368,000 Class A Shares. As at 14 March 2013 (being the latest practicable date prior to publication of this prospectus) in the 2013 fiscal year, the Company has repurchased 5,000 Class A Shares.

2. ORGANISATIONAL STRUCTURE

CGI has no parent company and is the ultimate parent company in its group of companies. Its significant subsidiaries are set out in the table in Part 3 of this prospectus. All subsidiaries are wholly-owned subsidiaries of the Company.

3. SHARE PURCHASE PLAN

This section contains information in addition to the details of the Share Purchase Plan that are set out in the “Summary”.

3.1 Eligibility and Participation

Upon implementation of the Share Purchase Plan in the relevant EEA member state, any employee of the Group in such EEA member state who is actively at work at the time of enrollment, whether full or part-time, is eligible to participate in the Share Purchase Plan. An employee ceases to be eligible to participate in the Share Purchase Plan on his or her last working day with the Group excluding any period representing pay in lieu of notice or other notice or payment on account of termination of employment.

The offer(s), the subject of this prospectus, are not made to the general public or to any person other than eligible employees of the Group located in the United Kingdom, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Spain and Sweden. Only such eligible employees of the Group may acquire Class A Shares pursuant to this prospectus in accordance with the plan documents of the Share Purchase Plan, following implementation of the Share Purchase Plan in the relevant EEA member state.

The interest of a Participant under the Share Purchase Plan may not be transferred, assigned or pledged by the Participant.

If, following implementation of the Share Purchase Plan in the relevant EEA member state, an eligible employee wishes to become a Participant, the eligible employee should (unless directed otherwise) send a Notice of Participation to the Corporate Secretary. The participation of the employee in the Share Purchase Plan commences as soon as practicable in accordance with the Company’s procedures following receipt by the Company of the Notice of Participation.

3.2 Contributions

Class A Shares are purchased by the Trustee, Sun Life Financial Trust Inc. (or any successor), with contributions made to the Trustee by the Participants and the Group. The Trustee holds the Class A Shares so purchased for the account of the Participants.

Participant Contributions

Participants are entitled to make two types of contributions: (i) the Participant Basic Contribution; and (ii) additional contributions in excess of the Participant Basic Contribution.

The Participant Basic Contribution is an amount equal to a percentage of the Participant’s annual gross base salary. The Participant Basic Contribution is made through deductions at source, withheld from the Participant’s net salary in each pay period. The Participant Basic Contribution is remitted from the Group, at each pay period applicable to the Participant, to the Trustee.

The Participation Contribution Percentage for the purposes of calculating the Participant Basic Contribution is determined from time to time by either the Founder and Executive Chairman of the Board or the President and Chief Executive Officer and may vary by position and by business unit, as well as over time, as either the Founder and Executive Chairman of the Board or the President and Chief Executive Officer may in his discretion determine, provided that such percentage cannot exceed 3.5 per cent.

Subject to the paragraph immediately above, a Participant who is actively at work may increase or decrease the Participant Contribution Percentage at any time by sending a notice of amendment (***Notice of Amendment***) to the Group. Such modification comes into effect as soon as practicable in accordance with the Company’s procedures following receipt of the Notice of Amendment by the Group’s payroll department.

Upon an annual gross base salary review, the Participant Contribution Percentage is automatically modified based on the Participant's revised annual gross base salary. Such modification comes into effect as soon as practicable in accordance with the Company's procedures following the receipt of the notice stipulating the annual gross base salary changes by the Group's payroll department. However, this modification does not apply on the sums paid retroactively.

A Participant may also make additional contributions to the Share Purchase Plan in excess of the Participant Basic Contribution, ranging between 0.5 per cent. and 10 per cent. of the Participant's annual gross base salary, and this, by increments of 0.5 per cent. without taking into account the rate of participation provided above, in accordance with the same terms and conditions provided above. However, the Group will not match such additional contributions made by the Participant.

Group Contributions

The Group contributes to the Share Purchase Plan for the account of each Participant an amount equal to a percentage of the Participant Basic Contribution (excluding any additional contributions made by the Participant). The percentage of the Participant Basic Contribution that the Group is required to pay is determined from time to time by either the Founder and Executive Chairman of the Board or the President and Chief Executive Officer, provided that the Group's contribution cannot exceed 100 per cent. of the aggregate amount of the Participant Basic Contribution. The percentage that the Group contributes may vary by position and by business unit, as well as over time, as either the Founder and Executive Chairman of the Board or the President and Chief Executive Officer may in his discretion determine.

The Group may, in addition to the contributions set out above, pay to the Trustee, at its discretion, any amount as additional contribution to the Share Purchase Plan and the Trustee will purchase Class A Shares on the secondary market through an exchange on which the Class A Shares are listed in accordance with the instructions of that Group company. The allocation of such Class A Shares will be for the account of the Participants.

The Group pays in advance to the Trustee on the first business day of each month an amount equal to that Group company's contributions computed for the calendar month preceding such payment. At the end of each month, the Trustee determines, for such month, the amount of the Group's contributions which should have been paid according to the aggregate amount of contributions paid by the Participants during such month and in the event an excess amount was paid by the Group through a monthly installment, the Trustee deducts such excess amount from the installment to be made by the Group the following month. Notwithstanding this, the Group may pay to the Trustee its contributions at the same time the Group pays the Participant Basic Contribution.

3.3 Purchase of Class A Shares

The Trustee, upon receipt of the contributions of the Participants and of the Group, purchases Class A Shares on the secondary market through an exchange on which the Class A Shares are listed, being the TSE and/or the NYSE (as applicable). Upon receipt of the contributions, the Trustee executes buying orders at the market price on the purchase dates and, if possible, in board lots. The Class A Shares purchased by the Trustee out of the contributions made by Participants and the Group are attributed to the account of the Participants in accordance with the contributions made by the Participants and the Group and are held by the Trustee for the account of the Participants.

All cash dividends and other cash distributions received by the Trustee in respect of Class A Shares held by the Trustee for the account of Participants are used by the Trustee to purchase additional Class A Shares. The Class A Shares so acquired are allocated to the Participants in proportion to their respective interests. Stock dividends received by the Trustee in respect of Class A Shares are held by the Trustee for the account of Participants.

3.4 Information to be Provided to Participants

The Trustee issues to each Participant, through its website, on or before 1 November, 1 February, 1 May and 1 August of each year (or on any other date to be determined by the Company and the Trustee), an

electronic report showing, as of the 30 September, 31 December, 31 March and 30 June preceding, the number of Class A Shares held by the Trustee for the account of each Participant on such dates and stating also the number of Class A Shares corresponding to the additional contributions of the Participant. If a Participant wishes to obtain all quarterly statements in a hard copy format, a request may be addressed to the Trustee.

Forthwith after receipt of a notice of meeting of the holders of Class A Shares, the Trustee sends to each Participant for whose benefit the Trustee is holding Class A Shares a copy of any such notice of meeting and any financial statement, proxy management circular, proxy form or other material to be used in connection with the meeting.

3.5 Withdrawal from the Share Purchase Plan

A Participant may at any time withdraw, partially or in full, the Class A Shares that the Trustee holds for the Participant's account by sending a Notice of Withdrawal to the Company and to the Trustee (in the form and manner specified by the Trustee from time to time). Upon receipt of the Notice of Withdrawal, the Trustee will sell the Class A Shares held for the account of the Participant and pay to the Participant an amount in cash equal to the proceeds of such sale, less brokerage fees together with, in the case of a complete withdrawal, every other property held by the Trustee pursuant to the Share Purchase Plan for the account of the Participant.

The Participant may alternatively elect to receive Class A Shares in lieu of cash payment. In such case, the Trustee will deliver to the Participant a Direct Registration Statement representing such Class A Shares registered in the name of the Participant. A Direct Registration Statement can only be issued if it represents a minimum of 100 Class A Shares.

3.6 Termination of Participation in the Share Purchase Plan

To terminate his or her participation in the Share Purchase Plan at any time, a Participant should (unless directed otherwise) send a Notice of Termination to the Company and to the Trustee. The Participant may decide to maintain his or her Class A Shares in the Share Purchase Plan or withdraw all or part of those Class A Shares pursuant to the procedure described in paragraph 3.5 above.

If a Participant's employment terminates for any reason whatsoever and the Participant does not notify the Trustee and the Group of his or her choice in the manner described below (immediately after his or her last contribution has been processed), the Trustee will, upon receipt of a notice of termination of employment from the Group, (i) issue a Direct Registration Statement for the Class A Shares held by the Trustee for the account of the Participant or (ii) sell the Class A Shares held by the Trustee for the account of the Participant, if it represents less than 100 Class A Shares, on the secondary market through an exchange on which the Class A Shares are listed and pay to the Participant an amount in cash equal to the proceeds of such sale, less brokerage fees, together with any other property held by the Trustee pursuant to the Share Purchase Plan for the account of the Participant. However, the Participant may make the election to receive a Direct Registration Statement as described in paragraph 3.5 above by giving a notice to the Group and to the Trustee immediately after his or her last contribution has been attributed to the account of the Participant. The date of termination of employment means the Participant's last day of work for the Group, excluding any period representing pay in lieu of notice or other payment or notice on account of termination of employment.

3.7 Suspension of Participation in the Share Purchase Plan

In the event that a Participant is absent from work for any period of time and for any reason and that the Participant receives no salary from the Group during such absence, the Participant's participation in the Share Purchase Plan is automatically suspended until the Participant returns to work or until the Participant elects to terminate his or her participation in the Share Purchase Plan pursuant to the procedure described in paragraph 3.6 above.

3.8 Fractional Entitlements

If a Participant elects to receive a Direct Registration Statement in the event of his or her withdrawal or termination of participation in the Share Purchase Plan, no fractional Class A Shares will be issued and where a fractional Class A Share should be issued, a cash payment in respect of those fractional Class A Shares is paid to the Participant. Such payment is equal to the amount obtained by multiplying the fractional Class A Shares by the market price on the date of receipt of the Participant's election to receive the Direct Registration Statement. For the purposes of this paragraph, market price means the last closing price of the Class A Shares on the TSE or the NYSE (as applicable) prior to the date of receipt of the Participant's election to receive such Direct Registration Statement, or if there is no closing price during the 5 trading days prior to such date, the mean between the bid and ask quotations on that date.

3.9 Fees

All fees relating to the Share Purchase Plan (including the brokerage fees attached to the purchase of Class A Shares) are borne by the Group except for: (i) brokerage fees attached to the sale of Class A Shares; and (ii) the issuance of duplicate quarterly statements, which are at the charge of the Participant. The Group reserves the right to re-charge to the Participant additional administrative fees incurred for the account of the Participant. However, to the extent possible, any interest accruing on contributions is paid to the Group to be used for the payment of expenses relating to the Share Purchase Plan.

3.10 Administration of the Share Purchase Plan

The Company and the Trustee have entered into an agreement with respect to the administration of the Share Purchase Plan (the ***Deposit and Trust Agreement***). The Deposit and Trust Agreement forms part of the Share Purchase Plan and the rights of the Participants in respect of the Share Purchase Plan are subject to such agreement. In the event of differences, discrepancies or contradictions between the provisions of the Share Purchase Plan and those of the Deposit and Trust Agreement, the provisions of the Share Purchase Plan prevail over those of the Deposit and Trust Agreement. The Share Purchase Plan is governed by and construed in accordance with the laws of the Province of Québec, Canada.

The appointment of the Trustee was made by, and may be changed by, the Board. The Board or any committee appointed by the Board has full power and authority with respect to the interpretation of the Share Purchase Plan and to the ratification of rules, terms and other measures it may deem necessary for the management of the Share Purchase Plan.

3.11 Amendment, Suspension and Termination of the Share Purchase Plan

The Board or any committee appointed by the Board may at any time amend, suspend or terminate the Share Purchase Plan. No modification, suspension or termination of the Share Purchase Plan may affect any vested right that a Participant may have in respect of the Class A Shares subject to the Share Purchase Plan or of the Share Purchase Plan until the date of amendment, suspension or termination of the Share Purchase Plan.

In the event of termination of the Share Purchase Plan, the Trustee will remit as soon as possible to each Participant a certificate or Direct Registration Statement registered in the name of the Participant representing the Class A Shares held by the Trustee for the account of such Participant together with any other property held by the Trustee pursuant to the Share Purchase Plan for the account of such Participant.

3.12 No Right to Continued Employment or Further Rights

Participation in the Share Purchase Plan entitles the Participant to only the benefits provided for in the Share Purchase Plan and only to the extent that the assets are remitted to the Trustee, and does not confer upon any Participant the right to be employed by or to remain an employee of any Group company. The Share Purchase Plan and the Participant's participation in the Share Purchase Plan do not generate any acquired rights, are subject to the rules and criteria as may be determined by the Company from time to time and do not constitute an express or implied term of nor in any manner form part of the Participant's employment contract with any Group company.

The Board or any committee appointed by it has full discretionary authority to set, adjust, modify, suspend or cancel the contributions to the Share Purchase Plan of the Participant and the Group. Nothing in the Share Purchase Plan shall create in favour of the Participants any vested, demandable or enforceable right to make and receive contributions for the purchase of Class A Shares except in respect of those due as at the date of any modification, adjustment, suspension or termination of the Share Purchase Plan.

3.13 Personal Data

By requesting to participate in the Share Purchase Plan and for the purposes of such participation, the Participants consent to: (i) the transfer of their personal data by the Group to the Trustee in Canada or such other location where the Trustee is situated or operates; and (ii) the storage and processing of their personal data in Canada or such other location.

3.14 Compliance with Tax Legislation

The Participants are fully responsible for their compliance with any applicable tax legislation. The Group cannot be held responsible for any failure in that respect on the part of a Participant. See Part 2 of this prospectus for further information on the tax consequences for employees participating in the Share Purchase Plan.

4. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

4.1 The governance of the Group is lead by the Board and its standing committees.

The Board

The Board, which is elected annually by CGI's shareholders, manages and oversees the business and affairs of CGI. The Board delegates to management the responsibility for the day-to-day management of the Group's business in accordance with CGI's operations management framework. The operations management framework sets out the overall authority of the Company's management team as well as the level of management approval required for the various types of operations and transactions that make up the ordinary course of the Company's business. All operational and corporate functions (other than the office of the chairman and the corporate secretariat which report to the Founder and Executive Chairman of the Board) report to the Chief Executive Officer who reports directly to the Board. The Chief Executive Officer and the Founder and Executive Chairman of the Board report to the Board at each regularly scheduled Board meeting. The Chief Executive Officer, jointly with the management team, also develops the strategies and corporate objectives of the Group which are then approved by the Board. Ultimately, the Board reports to the shareholders at the Annual General Meeting of Shareholders. The Directors are encouraged to attend the Annual General Meetings of Shareholders. Directors are expected to attend Board and applicable standing committee meetings. Each director's attendance record is disclosed annually in the management proxy circular and is considered for the purposes of re-election at the annual meetings of shareholders.

The Standing Committees

The Board also oversees three standing committees composed entirely of independent Directors: (i) the corporate governance committee (**Corporate Governance Committee**), (ii) the human resources committee (**Human Resources Committee**); and (iii) the audit and risk management committee (**Audit and Risk Management Committee**). Each of these standing committees reports to the Board and operates according to a charter which is reviewed annually by the Board. The role and responsibilities of each of these standing committees are contained in their charters. See pages F-624-644 in Part 6 of this prospectus for more information on the charters of the standing committees.

The Corporate Governance Committee is chaired by Eileen Mercier and its other members are Thomas d'Aquino and Paule Doré. The Corporate Governance Committee's principal responsibilities are: (i) to develop and monitor the Company's approach to governance issues, requirements and guidelines; (ii) to review the composition of the Board and its standing committees and recommend Board nominees; (iii) to

carry out the annual Board self-assessment process; and (iv) to help maintain an effective working relationship between the Board and management.

The Human Resources Committee is chaired by Robert Chevrier and its other members are Bernard Bourigeaud and Dominic D'Alessandro. The Human Resources Committee's principal responsibilities are to review and make recommendations to the Board in respect of: (i) the compensation of certain senior executives of the Company, the members of the Board and of its standing committees; (ii) the appointment of Company officers, including the Founder and Executive Chairman of the Board and the Chief Executive Officer; (iii) the Company's overall remuneration plans, including incentive plans, stock options and benefits; (iv) the employment and termination arrangements for senior management; and (v) the succession plans for executive officers.

The Audit and Risk Management Committee is chaired by Gilles Labbé and its other members are Claude Boivin, Jean Brassard and Richard Evans. The Audit and Risk Management Committee's principal responsibilities are: (i) to recommend the appointment of the external auditors and the terms of their engagement; (ii) to review the Company's audit procedures and its scope; (iii) to review and assess the effectiveness of the Company's accounting policies and practices; (iv) to monitor and review the adequacy and effectiveness of the Company's internal control procedures, programs and policies; (v) to review related party transactions; (vi) to identify the financial and operating risks to which the Company is exposed, review the policies and practices intended to manage those risks and regularly report to the Board on risk management; and (vii) to review all public disclosure documents containing audited or unaudited financial information of the Company.

4.2 The Directors' Other Directorships and Partnerships

Some of the Directors of CGI have also been members of the administrative, management or supervisory bodies or partners, at some time in the previous five years, of other companies and partnerships. The table below shows those other directorships and partnerships and specifies whether the relevant Director of CGI is still such a director or partner.

Name of Director	Other Directorships/Partnerships	Role	Current
Claude Boivin	Héroux-Devtek Inc.	Director	Yes
	GLV Inc.	Director	Yes
	Fond de revenue Boralex Énergie	Director	No
Bernard Bourigeaud	BJB Consulting	Chairman	No
	Jefferies International Limited	Member of the advisory board	Yes
	Amadeus IT Holding, S.A.	Director	Yes
	Oberthur Technologies Holding	Non-executive Chairman	Yes
	Oberthur Technologies SA	Non-executive Vice Chairman	No
	Advent International	Operating Partner	Yes
	ADVA AG Optical Networking	Director	No
Jean Brassard	Noveko International Inc.	Director	No
Robert Chevrier	Roche Management Co. Inc.	President	Yes
	Uni-Select Inc.	Director	Yes
	Richelieu Hardware Ltd.	Chair of Board of Directors	Yes

Name of Director	Other Directorships/Partnerships	Role	Current
	Rona Inc.	Chair of Board of Directors	Yes
	Cascades Inc.	Director	Yes
	Compagnie de Saint-Gobain	Director	No
	Bank of Montreal	Director	No
	Addenda Capital Inc.	Director	No
Dominic D'Alessandro	Canadian Imperial Bank of Commerce	Director	Yes
	Suncor Energy Inc.	Director	Yes
Thomas d'Aquino	Intercounsel Ltd.	Chairman and Chief Executive	No
	Manulife Financial Corporation	Director	Yes
	Coril Holdings Ltd.	Director	Yes
	Kruger Inc.	Director	No
Paule Doré	Cogeco Inc.	Director	Yes
	Héroux-Devtek Inc.	Director	Yes
	AXA Canada	Director	No
Richard Evans	Resolute Forest Products	Chair of Board of Directors	Yes
	Constellium Inc.	Lead Independent Director	Yes
	Noranda Aluminum Holding corp.	Director	Yes
	Abitibi Bowater Inc.	Director	No
Gilles Labbé	Héroux-Devtek Inc.	President and Chief Executive Officer	Yes
	Aéro Montreal	Chair of Board of Directors	Yes
Eileen Mercier	Ontario Teachers Pension Plan	Chair of Board of Directors	Yes
	ING Bank of Canada	Director	Yes
	Teekay Shipping Corp.	Director	Yes
	Intact Financial Corporation	Director	Yes
	Intact Insurance Company	Director	No
Donna Morea	SunTrust Banks, Inc.	Director	Yes
Michael Roach	Innovapost Inc.	Director	No
	Yellow Media Inc.	Director	No

The Board has not adopted formal guidelines on the number of other such positions its independent Directors may hold; each Director must assess his/her own contribution and ability to contribute to the work of the Board as part of the Board's self-assessment process.

4.3 Additional information on the Directors

Within the period of five years preceding the date of this document, none of the Directors of CGI:

- (a) has had any convictions in relation to fraudulent offences;
- (b) has been a director or senior manager (who is relevant to establishing that a company has the appropriate expertise and experience for the management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company; or
- (c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a member of any administrative, management or supervisory bodies or as a director of a company or from acting in the management or conduct of the affairs of a company.

No benefit, payment or compensation of any kind is payable to any Director upon termination of his/her employment.

5. CONFLICTS OF INTEREST

None of the Directors has any potential conflicts of interest between their duties to CGI and their private interests and/or their duties to third parties.

6. BOARD PRACTICES

CGI is domiciled and incorporated in Québec, Canada and complies with: (i) the corporate governance rules of the Canadian Securities Administrators (*CSA*); and (ii) the corporate governance regime followed by US domestic companies under the NYSE listing standards.

The Board also operates in accordance with a corporate governance charter. Amongst other matters, the Board's corporate governance charter requires that a majority of Directors on the Board be independent and free from any material ties to the Company, its management and its external auditors that could, or could reasonably be perceived to, materially interfere with the Directors' ability to act in the best interests of the Company. See pages F-624-629 in Part 6 of this prospectus for more information on the Board's corporate governance charter.

7. EMPLOYEES

The Group has approximately 70,000 employees, that it calls members, across the globe.

8. MAJOR SHAREHOLDERS

Insofar as is known to the Company, as at 14 March 2013 (being the latest practicable date prior to the publication of this prospectus) the following were the only persons interested, directly or indirectly, in ten per cent. or more of CGI's voting share capital (on the basis of their disclosed holdings of shares as at 14 March 2013):

- (a) Serge Godin (Founder and Executive Chairman of the Board): owned 872,587 Class A Shares and, through his control of Distinction Capital Inc., 3727912 Canada Inc. and 9164-7586 Québec Inc., 28,577,089 Class B Shares (0.32 per cent. of the Class A Shares issued and outstanding and 85.03 per cent. of the Class B Shares issued and outstanding, representing 46.87 per cent. of the total voting rights in CGI);
- (b) André Imbeau (Founder, Vice Chairman of the Board and Corporate Secretary): owned 266,661 Class A Shares and, through his control of 9088-0832 Québec Inc. and 9102-7003 Québec Inc., 4,275,659 Class B Shares (0.10 per cent. of the Class A Shares issued and outstanding and 12.72

per cent. of the Class B Shares issued and outstanding, representing 7.03 per cent. of the total voting rights in CGI); and

- (c) Caisse: see immediately below.

In addition, CGI's investor relations department regularly surveys the Company's largest institutional shareholders. Based on the most recent shareholder identification data available to the Company, as at 31 January 2013, the following were the top ten institutional holders of Class A Shares:

- (a) Caisse owned 68,136,698 Class A Shares (24.81 per cent. of the Class A Shares issued and outstanding, representing 11.16 per cent. of the total voting rights in CGI)
- (b) Pyramis Global Advisors, LLC owned 22,275,400 Class A Shares (8.11 per cent. of the Class A Shares issued and outstanding, representing 3.65 per cent. of the total voting rights in CGI);
- (c) GCIC, Ltd. owned 11,655,937 Class A Shares (4.24 per cent. of the Class A Shares issued and outstanding, representing 1.91 per cent. of the total voting rights in CGI);
- (d) Fidelity Investments Canada ULC owned 7,900,000 Class A Shares (2.88 per cent. of the Class A Shares issued and outstanding, representing 1.29 per cent. of the total voting rights in CGI);
- (e) Greystone Managed Investments owned 7,547,133 Class A Shares (2.75 per cent. of the Class A Shares issued and outstanding, representing 1.24 per cent. of the total voting rights in CGI);
- (f) Mackenzie Financial Corporation owned 7,046,107 Class A Shares (2.57 per cent. of the Class A Shares issued and outstanding, representing 1.15 per cent. of the total voting rights in CGI);
- (g) BlackRock Fund Advisors owned 5,251,085 Class A Shares (1.91 per cent. of the Class A Shares issued and outstanding, representing 0.86 per cent. of the total voting rights in CGI);
- (h) TD Asset Management, Inc. owned 5,200,739 Class A Shares (1.89 per cent. of the Class A Shares issued and outstanding, representing 0.85 per cent. of the total voting rights in CGI);
- (i) Fiera Capital Corporation owned 5,009,918 Class A Shares (1.82 per cent. of the Class A Shares issued and outstanding, representing 0.82 per cent. of the total voting rights in CGI); and
- (j) RBC Global Asset Management, Inc. owned 4,682,180 Class A Shares (1.71 per cent. of the Class A Shares issued and outstanding, representing 0.77 per cent. of the total voting rights in CGI).

CGI's major shareholders, as listed above, have the same voting rights as all other holders of Class A Shares and Class B Shares.

Save for Serge Godin, whose interest in CGI's voting share capital is set out above, CGI is not aware of any person who as at 14 March 2013 (being the latest practicable date prior to publication of this prospectus), exercises or could exercise, directly or indirectly, jointly or severally, control over CGI.

9. SIGNIFICANT CHANGE IN CGI'S FINANCIAL OR TRADING POSITION

There has been no significant change in CGI's financial or trading position since 31 December 2012, being the end of the three month period from 30 September 2012 to 31 December 2012 to which CGI's interim financial information on Form 6-K relates. The Form 6-K was filed with the SEC on 30 January 2013.

10. SHARE CAPITAL

The Company has four classes of shares: (i) Class A Shares; (ii) Class B Shares; (iii) First Preferred Shares; and (iv) Second Preferred Shares. All of these shares have no par value. The currency of the Class A Shares listed on: (i) the NYSE is US dollars and (ii) the TSE is Canadian dollars.

There are no restrictions on the free transferability of the Class A Shares or the Class B Shares.

CGI's shares (and the associated rights of CGI's shareholders) are created under a combination of the Business Corporations Act (Québec) and CGI's articles of association (the *Articles of Association*).

CGI has the authority to allot an unlimited number of Class A Shares, Class B Shares, First Preferred Shares and/or Second Preferred Shares.

As at 14 March 2013 (being the latest practicable date prior to publication of this prospectus), there were a total of approximately 275,495,889 Class A Shares and 33,608,159 Class B Shares in issue and no First Preferred Shares or Second Preferred Shares in issue. As at 14 March 2013 (being the latest practicable date prior to publication of this prospectus), CGI does not hold any Class A Shares or Class B Shares. There are no First Preferred Shares or Second Preferred Shares in issue.

11. RELATED PARTY TRANSACTIONS

All related party information for the financial years ended 30 September 2012, 2011 and 2010 is set out on pages F-277, F-541 and F-748-749 in Part 6 Section 2 of this prospectus.

Save as set out above, no related party transactions between any member of the Group and a related party (as defined under the International Financial Reporting Standards) were entered into during the financial years ended 30 September 2012, 2011 and 2010 or during the period between 1 October 2012 and 14 March 2013 (being the latest practicable date prior to publication of this prospectus).

12. ARTICLES OF ASSOCIATION AND BY-LAWS

CGI was incorporated on 29 September 1981 under Part IA of the Companies Act (Québec), the predecessor to the Business Corporations Act (Québec). The Company continued the activities of Conseillers en gestion et informatique CGI inc., which was originally founded in 1976. The Company is registered under the registration number 1850-8523. The Business Corporations Act (Québec), along with the Company's by-law 1986-5 (the *By-Laws*) and the Articles of Association, governs the Company.

The following is a summary of certain provisions of the By-Laws and the Articles of Association. This summary does not purport to be complete and is qualified in its entirety by the full terms of the By-Laws and the Articles of Association.

12.1 Corporate Purpose

There are no limits imposed on the business activities of the Company.

12.2 Share Capital

The Company's authorised share capital consists of an unlimited number of First Preferred Shares, issuable in series, an unlimited number of Second Preferred Shares, issuable in series, an unlimited number of Class A Shares and an unlimited number of Class B Shares, all without par value, of which, as of 14 March 2013 (being the latest practicable date prior to publication of this prospectus), 275,495,889 Class A Shares and 33,608,159 Class B Shares were issued and outstanding.

Class A Shares and Class B Shares

Voting Rights

The holders of Class A Shares are entitled to one vote per share and the holders of Class B Shares are entitled to ten votes per share. As of 14 March 2013 (being the latest practicable date prior to publication of this prospectus), 45.05 per cent. and 54.95 per cent. of the aggregate voting rights are attached to the outstanding Class A Shares and Class B Shares, respectively.

Subdivision or Consolidation

The Class A Shares or Class B Shares may not be subdivided or consolidated unless simultaneously the Class B Shares or the Class A Shares, as the case may be, are subdivided or consolidated in the same manner and in such an event, the rights, privileges, restrictions and conditions then attaching to the Class A Shares and Class B Shares shall also attach to the Class A Shares and Class B Shares as subdivided or consolidated.

Rights upon Liquidation

Upon liquidation or dissolution of the Company or any other distribution of its assets among its shareholders for the purposes of winding up its affairs, all the assets of the Company available for payment or distribution to the holders of Class A Shares and holders of Class B Shares will be paid or distributed equally, share for share.

Conversion Rights of Class A Shares in Specific Circumstances

If a takeover bid or exchange bid or an issuer bid, other than an exempt bid, for the Class B Shares is made to the holders of Class B Shares without being made simultaneously and on the same terms and conditions to the holders of Class A Shares, each Class A Share shall become convertible into one Class B Share, at the holder's option, in order to entitle the holder to accept the offer from the date it is made. However, this right of conversion shall be deemed not to come into effect if the offer is not completed by its offeror or if the senior executives and full-time employees of the Group and any corporate entity under the control of one or more of such senior executives, as owners, as a group, of more than 50 per cent. of the outstanding Class B Shares, do not accept the offer. The Articles of Association contain a complete description of the types of bids giving rise to the rights of conversion, provide certain procedures to be followed to perform the conversion and stipulate that upon such a bid, the Company or the transfer agent will communicate in writing to the holders of Class A Shares full details as to the bid and the manner of exercising the right of conversion.

Conversion of Class B Shares

Each Class B Share may, from time to time, at the holder's option, be converted into one Class A Share.

Issue of Class B Shares

The Articles of Association provide for pre-emptive rights in favour of holders of Class B Shares. Therefore, the Company may not issue Class A Shares or securities convertible into Class A Shares without offering, in the manner determined by the Board, to each holder of Class B Shares, pro rata to the number of Class B Shares it holds, the right to subscribe concurrently with the issue of Class A Shares or of securities convertible into Class A Shares, as the case may be, an aggregate number of Class B Shares or securities convertible into Class B Shares, as the case may be, sufficient to fully maintain its proportion of voting rights associated with the Class B Shares. The consideration to be paid for the issuance of each Class B Share or security convertible into Class B Shares, as the case may be, shall be equal to the issue price of each Class A Share or security convertible into Class A Shares then issued.

The pre-emptive rights do not apply in the case of the issuance of Class A Shares or securities convertible into Class A Shares:

- (a) in payment of stock dividends;
- (b) pursuant to the stock option plans or share purchase plans of the Company;
- (c) further to the conversion of Class B Shares into Class A Shares pursuant to the Articles of Association; or
- (d) further to the exercise of the conversion, exchange or acquisition rights attached to securities convertible into Class A Shares.

Any holder of Class B Shares may assign its pre-emptive rights to other holders of Class B Shares.

Dividends

The Class A Shares and Class B Shares participate equally, share for share, in any dividend which may be declared, paid or set aside for payment thereon.

In the 2012 fiscal year, considering, among other matters, the needs for reinvestment in the Company's operations, the scope of investment projects, the repayment of the Company's debt, and the repurchase of outstanding Class A Shares under the Company's normal course issuer bid, the Board determined that the Company would not pay a dividend. The Board re-evaluates its dividend policy annually.

Amendments

The rights, privileges, conditions and restrictions attaching to the Class A Shares or Class B Shares may respectively be amended if the amendment is authorised by at least two-thirds of the votes cast at a meeting of holders of Class A Shares and Class B Shares duly convened for that purpose. However, if the holders of Class A Shares as a class or the holders of Class B Shares as a class were to be affected in a manner different from that of the other classes of shares, such amendment shall, in addition, be authorised by at least two thirds of the votes cast at a meeting of holders of shares of the class of shares so affected in a different manner.

Rank

Except as otherwise provided hereinabove, each Class A Share and each Class B Share carry the same rights, rank equally in all respects and are to be treated by the Company as if they constituted shares of a single class.

First Preferred Shares

The First Preferred Shares may be issued from time to time in one or more series and the Board has the right to determine, by resolution, the designation, rights, privileges, restrictions and conditions attaching to each series. The First Preferred Shares of each series rank equal to the First Preferred Shares of all other series and rank prior to the Second Preferred Shares, the Class A Shares and Class B Shares with respect to payment of dividends and repayment of capital. The holders of First Preferred Shares are entitled to receive notice of and attend any shareholders' meetings and are entitled to one vote per share. As of 14 March 2013 (being the latest practicable date prior to publication of this prospectus), no First Preferred Shares were outstanding.

Second Preferred Shares

The Second Preferred Shares may be issued from time to time in one or more series and the Board has the right to determine, by resolution, the designation, rights, privileges, restrictions and conditions attaching to each series. The Second Preferred Shares of each series rank equal to all other Second Preferred Shares of all other series and rank prior to the Class A Shares and Class B Shares with respect to payment of dividends and repayment of capital. The Second Preferred Shares are non-voting. As of 14 March 2013 (being the latest practicable date prior to publication of this prospectus), no Second Preferred Shares were outstanding.

12.3 Share Capital – Record Date

The Board may set a future date not more than 60 days before the date of any shareholders' meeting of the Company or the date set for payment of a dividend or granting of rights as being the record date for determining which shareholders are entitled to receive notice of the holding or adjournment of such shareholders' meetings, receive payment of such dividends or be attributed such rights so that only the shareholders registered upon close on business on the date set shall be entitled to receive notice of and to vote at such meetings, receive payment of such dividends or be attributed such rights, as the case may be, and this notwithstanding any share transfer in the records of the Company after the said record date.

12.4 Shareholders' Meetings

Time and Place of Annual Meetings

The annual shareholders' meeting of the Company will be held at the time and place determined by the Board.

Special Meetings

Special general shareholders' meetings may at all times be called by order of the Founder and Executive Chairman of the Board, the President and Chief Executive Officer or, in their absence, by order of any member of the executive committee of the Company. The special general shareholders' meetings will be held at the time and place determined by the Board, or at any other place where all of the shareholders of the Company entitled to vote at such meetings are present in person or represented by proxy, or at any other place approved in writing by at least three shareholders of the Company.

Notice of Meetings

A notice stating the time, place and purpose of any shareholders' meeting must be given to all shareholders entitled to receive such notice, or sent to them by mail in a stamped envelope; such notice must be sent to their last known address no less than 21 days but no more than 50 days before the date set for the meeting. If a share is jointly held, any notice of meeting must be sent to the person first mentioned in the records as being one of the holders, and a notice thus given will be valid for all joint holders. No irregularity in the notice of meeting or manner in which it was given, no unintentional failure to send a notice of meeting to a shareholder, and no failure on the part of a shareholder to receive such notice shall invalidate any resolution passed, or action or measure taken, at the meeting in question.

Quorum, Vote and Adjournments

Two people who, in person or by proxy, represent 35 per cent. of the outstanding shares in the share capital of the Company carrying the right to vote at the meeting will constitute the quorum needed to transact business at any shareholders' meeting. All matters submitted to the shareholders' meeting will be decided by a majority vote and constitute measures taken by all shareholders.

If a quorum has not been reached, the shareholders who are present in person and are entitled to be counted for the purposes of reaching the quorum have the power to adjourn any shareholders' meeting to any other time or place, without further notice other than a mention at the meeting, and this until such time as a quorum is reached. Any matter that could have been validly dealt with at a meeting prior to its adjournment may be dealt with at the adjourned meeting, provided a quorum is present.

Right to Vote and Proxy

Votes may be cast either in person or by proxy. At any shareholders' meeting, each shareholder present who is entitled to vote at that meeting may cast one vote if the vote is taken by a show of hands; for an election by ballot, each shareholder who is entitled to vote and is present in person or represented by proxy at such meeting may cast one vote per Class A Share and ten votes per Class B Share that is registered to his name in the records of the Company at the time of the meeting or on the record date, if one has been set. Prior to or immediately after the result of the vote by show of hands is declared, any shareholder or proxyholder may demand that a vote be taken by ballot. If a share is jointly held, the vote cast by the holder who votes either in person or by proxy whose name appears first in the records of the Company shall be accepted to the exclusion of all other joint holders' votes.

12.5 Board of Directors

Number

Subject to subsequent amendments that may be made to the applicable legislation, the Board shall consist of no less than three individuals and no more than 20 individuals.

Election and Term of Office

Each Director must be elected at an annual shareholders' meeting. That election will be carried out by a show of hands unless a ballot is demanded. Each Director elected will hold office until the next annual shareholders' meeting or until that Director's successor is duly elected or appointed, unless the office is vacated earlier.

Quorum

The Directors may from time to time set the quorum for meetings of the Board, but until such time as a number is thus set, five directors will constitute the quorum needed to transact business at any meeting of the Board.

Meetings of Directors

Immediately after each annual shareholders' meeting, the Directors elected and then present will meet without prior notice and, if a quorum is present, they will appoint the officers of the Company and deal with any other item on the agenda.

Meetings of the Board may at all times be called by or at the order of the Founder and Executive Chairman of the Board, the President and Chief Executive Officer or a majority of the Board.

Notice of Meetings

A notice of any meeting of the Board indicating the time and place thereof shall be sent to each Director to his usual place of residence or business at least two clear days prior to the meeting date. Such notice shall be sent by mail in a stamped envelope, transmitted by telegram, telex or cable or delivered personally to its recipient.

In any case where the Founder and Executive Chairman of the Board, the President and Chief Executive Officer or a majority of the Board considers it urgent that a meeting of the Board be called, such a meeting may be called on notice of no less than 12 hours to each of the Directors by any means deemed most appropriate under the circumstances, and such notice shall be deemed sufficient for the meeting thus called.

No irregularity in the notice of meeting or manner in which it was given, no unintentional failure to send a notice of meeting to a shareholder, and no failure on the part of a shareholder to receive such notice shall invalidate any resolution passed, or action or measure taken, at that meeting.

Meeting Chairman

The Founder and Executive Chairman of the Board shall chair all meetings of the Board. In his absence, the meeting shall be chaired by the President and Chief Executive Officer. In the absence of the President and Chief Executive Officer, any Director selected by a majority of the members of the Board shall chair the meeting.

Votes

Any matter put to the vote at a meeting of the Board shall be decided by a majority of the votes cast. In the case of a tie, the meeting Chairman shall not be entitled either to a second vote or a deciding vote.

Indemnification

The Board may, to the benefit of the Directors, officers, their predecessors or any other person who has assumed or is on the verge of assuming a responsibility on behalf of the Company or any company controlled by the Company, take out an insurance policy covering their liability for having acted as a Director or officer of the Company, with the exception of any liability arising from their own negligence or a personal offence separable from the performance of their duties.

Executive Committee

The Board may choose, from among its members, an executive committee consisting of at least three Directors; the executive committee shall always include the Founder and Executive Chairman of the Board and the President and Chief Executive Officer.

Each member of the executive committee shall remain in office until such time as the Board decides otherwise.

The executive committee has and may at all times exercise all of the powers of the Board, subject only to any relevant provisions of applicable legislation and the restrictions that the Board may impose from time to time.

The Board may from time to time adopt by-laws relating to the executive committee, the calling and holding of its meetings and the procedure to be followed thereat.

Power to Allot Shares and Grant Options

The shares of the Company shall at all times be under the control of the Directors who may, by resolution, agree to accept subscriptions therefor as well as to allot and issue same, grant options in respect of unissued shares of the Company and otherwise dispose of all or part of such shares to the Directors, officers, employees, persons, firms, companies or corporations under such conditions and for such consideration as does not run contrary to the law or the Articles of Association, and this at whatever times the Directors may determine.

13. MATERIAL CONTRACTS

The following is a summary of each contract (not being a contract entered into in the ordinary course of business) that has been entered into by any member of the Group: (a) within the two years immediately preceding the date of this document which is, or may be, material to the Group; or (b) at any time which contains obligations or entitlements which are, or may be, material to the Group as at the date of this document:

13.1 Logica Subscription Agreement

CGI and Caisse entered into a subscription agreement on 31 May 2012 pursuant to which CGI issued to Caisse 46,707,146 subscription receipts exchangeable into new Class A Shares on completion of the acquisition of Logica. The subscription agreement contains among its terms and conditions: (i) customary representations and warranties by the Company to Caisse and (ii) an indemnity from the Company in favour of Caisse in respect of breaches of covenants or representations and warranties by the Company and in respect of orders, investigations or other proceedings prohibiting, restricting or materially affecting the trading or distribution of the subscription receipts or underlying shares. The representations, warranties and indemnities will be in effect until 20 August 2014, except for customary exceptions for tax matters and in the case of fraud.

13.2 Stanley Acquisition Agreement

On 6 May 2010, CGI entered into a merger agreement with Stanley under the terms of which CGI commenced its cash tender offer to acquire 100 per cent. of Stanley's outstanding share capital. As a condition to and simultaneously with the execution of this merger agreement, various executive officers of Stanley entered into a separate stockholders agreement with CGI pursuant to which they agreed, amongst other things, to tender their shares in Stanley pursuant to CGI's offer for Stanley and to vote those shares in favour of the adoption of the merger agreement. The acquisition of Stanley completed on 17 August 2010 for a total cash consideration of C\$923.2 million. Stanley is now an indirect wholly-owned subsidiary of CGI.

14. AUDITORS

Ernst & Young LLP of 800 boul Rene-Levesque West, Suite 1900, Montréal, QC, H3B 1X9, Canada has issued:

- (a) an audit report dated 27 November 2012 with respect to (i) the consolidated balance sheets as at September 30, 2012 and 2011, and October 1, 2010 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended September 30, 2012 and 2011; and (ii) the effectiveness of CGI's internal control over financial reporting as at September 30, 2012, included in the Annual Report on Form 40-F for the year ended 30 September 2012 (the **Form 40-F 2012**) on pages F-701-703;
- (b) an audit report dated 9 November 2011, with respect to (i) the consolidated balance sheets as at September 30, 2011 and 2010 and the consolidated statements of earnings, comprehensive income, retained earnings and cash flows for each of the years in the two-year period ended September 30, 2011; and (ii) the effectiveness of CGI's internal control over financial reporting as at September 30, 2011, included in the Annual Report on Form 40-F for the year ended 30 September 2011 (the **Form 40-F 2011**) on pages F-500-503; and
- (c) an audit report dated 8 November 2010, with respect to (i) the consolidated balance sheet as at September 30, 2010 and the consolidated statements of earnings, comprehensive income, retained earnings and cash flows for the year then ended; and (ii) the effectiveness of CGI's internal control over financial reporting as at September 30, 2010, included in the Annual Report on Form 40-F for the year ended 30 September 2010 (the **Form 40-F 2010**) on pages F-137-138, as amended by the Form 40-F/A for the year ended 30 September 2010 (the **Form 40-F/A 2010**) on pages F-236-238.

Ernst & Young LLP is an independent registered public accounting firm, registered with the Public Company Accounting Oversight Board (United States) (**PCAOB**). Ernst & Young LLP conducted the above audits of: (i) CGI's internal control over financial reporting in accordance with the standards of the PCAOB; and (ii) CGI's consolidated financial statements in accordance with the standards of the PCAOB and Canadian Generally Accepted Auditing Standards.

Ernst & Young LLP has audited the consolidated balance sheets of CGI and its subsidiaries as of September 30, 2012, 2011 and 2010 and the related consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended September 30, 2012, 2011 and 2010.

Ernst & Young LLP has reviewed the condensed interim financial statements, consisting of the condensed consolidated balance sheets as at December 31, 2012 and September 30, 2012 and the condensed consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the three-month periods ended December 31, 2012 and 2011 on Form 6-K in accordance with Canadian generally accepted standards and the standards of the PCAOB for a review of interim financial statements by an entity's auditor.

15. WORKING CAPITAL

CGI is of the opinion that, taking into account its borrowing facilities, the working capital available to the Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of this document.

16. CAPITALISATION AND INDEBTEDNESS

The capitalisation and indebtedness of CGI is set forth below on an unaudited basis as at 31 December 2012. The information set forth in the tables below should be read in conjunction with Part 6 Section 2 of this prospectus.

16.1 Cash and Current Debt

The table below sets out the Group's cash and current debt as at 31 December 2012.

	As at 31 December 2012 (Canadian dollars thousands)
Cash and cash equivalent	147,024
Total current debt	55,855
Secured	0
Unsecured	55,855

16.2 Capitalisation

The table below sets out the Group's capitalisation as at 31 December 2012.

	As at 31 December 2012 (Canadian dollars thousands)
Total non-current debt (excluding current portion of long-term debt)	3,085,441
Secured	0
Unsecured	3,085,441
Shareholder's equity:	
Accumulated other comprehensive income (loss)	48,744
Contributed surplus	106,764
Share capital	2,203,111
Share premium	0
Treasury shares	0
Share based payment compensation reserve	0
Translation reserve	0
Retained earnings	1,135,593
Total	<u>3,494,212</u>

Since 31 December 2012 there has been no material change in the capitalisation of the Group.

16.3 Net Indebtedness

The following table sets out the Group's net financial indebtedness as at 31 December 2012.

	As at 31 December 2012 (Canadian dollars thousands)
Cash	130,149
Cash equivalents	16,875
Trading securities	14,554
Liquidity	161,578
Current bank debt	0
Current portion of non-current debt	848
Other current financial debt	55,007
Current financial debt	55,855
Net current financial indebtedness	-105,723
Non-current bank loans	2,996,822
Other non-current loans	88,619
Non-current financial indebtedness	3,085,441
Net financial indebtedness	<u>2,979,718</u>

As at 31 December 2012, the Group had no material indirect and contingent indebtedness.

Since 31 December 2012 there has been no material change in the indebtedness or the borrowings of the Group.

17. THE OFFER, TRADING AND DEALING ARRANGEMENTS

The offer(s), the subject of this prospectus, are not made to the general public or to any person other than eligible employees of the Group located in the United Kingdom, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Spain and Sweden. Only such eligible employees of the Group may acquire Class A Shares pursuant to this prospectus, in accordance with the plan documents of the Share Purchase Plan.

No new Class A Shares (or any other securities of CGI) will be issued in connection with this prospectus. All Class A Shares which are available to be purchased by the Trustee have either: (i) been registered with the SEC and are trading on the NYSE or (ii) are trading on the TSE. The ISIN number for the Class A Shares is CA39945C1095. No Class A Shares (or any other securities of CGI) are listed or admitted to trading on a regulated market within the EEA. As at the date of this prospectus, there is no intention to make an application for the Class A Shares to be listed or admitted to trading on any such EEA regulated market.

18. PROSPECTUS AND PASSPORTING

You can obtain a copy of the prospectus free of charge from the Company's website at <http://www.cgi.com>.

This prospectus will be passported, pursuant to Article 17 of the Prospectus Directive, into Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Spain and Sweden. A list of the names of the regulators in each of these jurisdictions is set out in Part 4 of this prospectus. Eligible employees in these EEA member states will not be able to take up Class A Shares under the Share Purchase Plan until: (i) this prospectus has been passported pursuant to Article 17 of the Prospectus Directive and (ii) the Share Purchase Plan has been implemented in the relevant EEA member state.

19. REASONS FOR THE OFFER, EXPENSES AND USE OF PROCEEDS

The purpose of the Share Purchase Plan is to encourage employee share ownership by offering eligible employees of the Group the ability to purchase Class A Shares via salary deductions matched by Company contributions. CGI believes that the Share Purchase Plan offers a convenient means for employees of the Group who might not otherwise own Class A Shares to purchase and hold Class A Shares and that the matching Company contribution feature of the Share Purchase Plan offers a meaningful incentive to participate. CGI also believes that the continuing economic interests of participating employees, as shareholders, in CGI's performance will provide additional incentives for such employees to contribute to the Group's potential for growth and profitability.

The total costs, charges and expenses incurred by CGI in preparing this prospectus and in connection with the offer of Class A Shares under the Share Purchase Plan are estimated to be £555,000.

The number of Class A Shares purchased on the open market under the Share Purchase Plan will depend on a number of factors including the level of employee participation in the Share Purchase Plan, the amount of the contributions made by Participants and the Company under the Share Purchase Plan and the value of Class A Shares at the time of purchase. As the offer relates solely to the purchase by Group employees of Class A Shares already trading on the NYSE or the TSE and not the issue of shares of any class by CGI, no proceeds will be raised by CGI in respect of the offer contained in this prospectus.

20. CGI'S PUBLIC FILINGS

The Company is required to publish and file documents and information with the CSA and the SEC. CGI's filings with the CSA and SEC are available through the Company's website at <http://www.cgi.com>. The Company's public filings are also available through the SEC's website at <http://www.sec.gov> and through the CSA's website at www.sedar.com.

Save as expressly provided in this prospectus, neither the content of the Company's website, the SEC's website or the CSA's website (or any other website) nor the content of any website accessible from hyperlinks on the Company's website, the SEC's website or the CSA's website (or any other website) is incorporated into, or forms part of, this prospectus and employees should not rely on it.

21. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Freshfields Bruckhaus Deringer LLP (English legal advisers to the Company), 65 Fleet Street, London, EC4Y 1HS:

- (a) the Articles of Association;
- (b) the By-Laws;
- (c) the Form 6-K;
- (d) the review report prepared by Ernst & Young LLP in connection with the interim financial information on the Form 6-K (the ***Form 6-K Review Report***);
- (e) Notice of Annual General Meeting of Shareholders and Management Proxy Circular relating to the Annual General Meeting of Shareholders held on 30 January 2013 (the ***Proxy Statement***);
- (f) the Form 40-F 2012;
- (g) the Form 40-F 2011;
- (h) the Form 40-F 2010;
- (i) the Form 40-F/A 2010;
- (j) the unaudited consolidated financial statements of Logica for the six month period ended 30 June 2012 (the ***Logica Pre-Acquisition Financial Information***); and
- (k) this prospectus.

22. LEGAL AND ARBITRATION PROCEEDINGS

Except as disclosed on pages F-824 and F-873 in Part 6 of this prospectus, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which CGI is aware) during a period covering at least the previous 12 months from the date of this prospectus which may have, or have had in the recent past, significant effects on CGI's and/or the Group's financial position or profitability.

PART 2: SUMMARY OF TAX CONSIDERATIONS

Terms defined in the Share Purchase Plan have the same meanings in this Part 2 unless the context indicates otherwise.

BELGIUM TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the **Share Purchase Plan**) of CGI Group Inc. (**CGI**) and its subsidiaries (together the **Group**).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (**Class A Shares**) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, transfer employment after you acquire Class A Shares under the Share Purchase Plan, or are considered a resident of another country for local law purposes, the information contained in this description may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the **Plan Documents**). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

The Employer's Contribution

You will be subject to personal income tax on your employer's contribution to the Share Purchase Plan on your behalf at the moment of the payment of such contribution to the trustee of the Share Purchase Plan (the **Trustee**). Your employer reserves the right to withhold or deduct social security contributions in respect of the employer's contributions if and to the extent any such social security contributions are due.

Sale of Shares

When you subsequently sell your Class A Shares purchased under the Share Purchase Plan, you should generally not be required to pay capital gains tax.

Dividends

If you hold or the Trustee holds for your account Class A Shares and CGI declares a dividend on the Class A Shares, you will be subject to income tax on dividends that you receive, even though the dividends paid on the Class A Shares purchased under the Share Purchase Plan are automatically reinvested in Class A Shares. The dividend should be declared in your personal income tax declaration. To the extent that the dividend is subject to Canadian withholding tax, the Canadian tax withheld is deductible from the basis on which Belgian tax is calculated but cannot be credited against the Belgian tax.

Withholding and Reporting

Your employer reserves the right to withhold income tax, if it deems that withholding tax is due, and to report the income (and the amount of withholding levied, if any) on your salary slip. If your employer is not obliged to report the remuneration on your salary forms or to impose a withholding tax, you will be solely responsible for reporting the income in your personal income tax return.

If you are a Belgian resident, you are required to report any security or bank account (including any brokerage accounts) that you maintain outside of Belgium on your annual tax return.

Social Security

Your employer reserves the right to withhold social insurance contributions in respect of the employer's contribution if it deems that withholding is due. If your employer is not obliged to withhold social insurance contributions, you will be solely responsible for paying any social insurance contributions due.

CZECH REPUBLIC TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the **Share Purchase Plan**) of CGI Group Inc. (**CGI**) and its subsidiaries (together the **Group**).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (**Class A Shares**) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, transfer employment after you acquire Class A Shares under the Share Purchase Plan, or are considered a resident of another country for local law purposes, the information contained in this description may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the **Plan Documents**). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

The Employer's Contribution

As your eligibility to participate in the Share Purchase Plan is dependent upon your employment by a Group company, your employer's contribution on your behalf to the trustee of the Share Purchase Plan (the **Trustee**) will be considered employment-related income and as such Czech personal income tax will be due on the amount of the fair market value of any Class A Shares which are purchased by the Trustee for your account using the employer's contribution (together with the value of any cash payment relating to fractional Class A Share entitlements, if any) (the **taxable amount**) at the moment when the Class A Shares are purchased for your account under the Share Purchase Plan (or, in relation to fractional entitlements, when you receive a cash payment equal to the value of the fractional Class A Shares).

The taxable amount will be subject to a flat income tax rate of 15 per cent. In addition, as the costs of the Share Purchase Plan will be borne by your local Czech employer, social security and/or health insurance contributions will be payable by the employer in respect of the taxable amount at a rate of 34 per cent., which will have the effect of increasing the amount of the taxable amount, resulting in an effective personal income tax rate of 20.1 per cent. The taxable amount may also be subject to social security contributions of 6.5 per cent. and health insurance contributions of 4.5 per cent. payable by you, depending upon whether applicable ceilings for contributions have been met.

The taxable amount may be further subject to a solidarity tax surcharge at the rate of 7 per cent. if your total annual employment income exceeds a certain threshold.

Sale of Shares

When you subsequently sell your Class A Shares acquired under the Share Purchase Plan, any gain will not be subject to tax, provided that: (i) your total shareholding or voting rights in CGI (whether held directly by you or by the Trustee for your account) does not exceed 5 per cent. of the total registered share capital of CGI during the last 24 months prior to the date of sale of the Class A Shares; and (ii) you have held your shares for a period exceeding six months.

If you hold or the Trustee holds for your account the Class A Shares for six months or less (or for five years or less if your shareholding or voting rights in CGI exceeded 5 per cent. of the total registered share capital of CGI), you will be taxed on the difference between: (i) the proceeds from the sale of the Class A Shares and (ii) the sum of the purchase price (fair market value) of such Class A Shares and other expenses relating to the Class A Shares sold (including brokerage fees).

Dividends

If you hold, or the Trustee holds for your account, Class A Shares and CGI declares a dividend on the Class A Shares, you will be subject to income tax on dividends that you receive, even though dividends paid on the Class A Shares are automatically reinvested in Class A Shares. The dividends will be subject to personal income tax in the Czech Republic and to Canadian withholding tax. You may be entitled to credit Canadian withholding tax against Czech income tax, provided that certain conditions are met.

Withholding and Reporting

Your employer will be responsible for withholding payment of income tax and social security and health insurance contributions in respect of the employer's contribution when Class A Shares are purchased under the Share Purchase Plan for your account. It is your own responsibility to report in your annual personal income tax return and pay taxes resulting from the subsequent sale of Class A Shares and the receipt of any dividends. Generally, any such personal income tax return is due by 1 April of the calendar year following the year of a sale of Class A Shares (where not exempt from capital gain, as explained above) and/or the receipt of any dividends (unless this deadline is extended until 1 July or later in accordance with Czech law).

DENMARK TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the **Share Purchase Plan**) of CGI Group Inc. (**CGI**) and its subsidiaries (together the **Group**).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (**Class A Shares**) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In particular, employees participating in the Share Purchase Plan are advised that there is uncertainty surrounding the treatment of trust arrangements under Danish tax law, which may mean that this description is inapplicable or particularly vulnerable to changes in practice or interpretation. In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, transfer employment after you acquire Class A Shares under the Share Purchase Plan, or are considered a resident of another country for local law purposes, the information contained in this description may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the **Plan Documents**). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

The Employer's Contribution

You will be subject to tax on the employer's contribution to the trustee of the Share Purchase Plan (the **Trustee**) on your behalf. Liability to tax will arise at the point in time at which you acquire the definitive legal right to the contributions made by the employer, which, under the Share Purchase Plan, will be the date the contributions are paid from the employer to the Trustee.

The amount of the employer's contribution will be taxed as personal income at the personal tax rate applicable to you (a maximum rate of 55.56 per cent. in 2013, including labour market contributions but excluding applicable church tax).

Shares Held on Trust / Sale of Shares

The treatment of the Class A Shares for Danish tax purposes will depend upon whether the Trustee is treated as a deposit entity (such as a bank) or is considered to be a transparent, financial investment entity, subject to special regulation. Certain features of the trust structure, including: (i) that the Trustee will be registered as the owner of the Class A Shares on behalf of each employee; (ii) that each employee will be able to vote the Class A Shares held for his or her account; and (iii) that employees are entitled to request

that the Class A Shares held by the Trustee be transferred to them, indicate that the Trustee will most likely be considered to be a deposit entity under Danish tax law.

Assuming that the Trustee is treated as a deposit entity under Danish tax law, you will be liable to share income tax in respect of any capital gains that you make when you sell Class A Shares purchased for your account under the Share Purchase Plan (i.e. you will be taxable on the difference between the sale price and the price of the Class A Shares at the time of purchase). In 2013, the applicable rates for share income tax are 27 per cent. on capital gains up to a threshold of DKK 48,300 and 42 per cent. on any capital gains exceeding that threshold.

Dividends

Assuming that the Trustee is considered to be a deposit entity as a matter of Danish tax law, if you hold or the Trustee holds for your account Class A Shares and CGI declares a dividend on the Class A Shares, you will be subject to income tax on dividends that you receive, even though the dividends paid on the Class A Shares purchased under the Share Purchase Plan are automatically reinvested in Class A Shares. The dividends will be subject to tax in Denmark as share income. However, dividends will be subject to Canadian withholding tax. You may be entitled to a Danish tax credit for the Canadian withholding tax paid, provided certain conditions are met.

Withholding and Reporting

Your employer is likely to be required to withhold preliminary income tax and report the contribution to the Danish tax authorities when the contribution is paid to the Trustee on your behalf. Please note that, irrespective of the obligations on your employer regarding withholding and reporting, it is concurrently your legal responsibility to ensure that all taxes (including labour market contributions) resulting from the contributions, purchase and sale of the Class A Shares and/or the receipt of any dividends, are paid correctly and within the applicable time limits.

Social Security

Your employer will not withhold social insurance contributions when Class A Shares are purchased under the Share Purchase Plan for your account.

Exchange Controls

You are required to inform the Danish Tax Administration about the Class A Shares purchased for your account under the Share Purchase Plan and to deposit the Class A Shares with a financial institution or CGI. The safety-deposit account of the Trustee is likely to be accepted as a compliant safety-deposit account. For this purpose, you must file a Form V (Erklæring V) with the Danish Tax Administration. If the Trustee or a broker or bank signs the Form V, it undertakes an obligation, without further request each year, to forward information to the Danish Tax Administration concerning the Class A Shares in the account. By countersigning the Form V with the Trustee or a broker or bank, you authorise the Danish Tax Administration to examine the account. If the Trustee or a broker or bank does not sign Form V, by signing Form V you undertake to provide compliant information to the Danish Tax Administration each year. Form V can be found at the following website: www.skat.dk.

In addition, if you open a brokerage account, such brokerage account will be likely to be treated as a deposit account because cash can be held in the account. Therefore, it is likely that you must also file a Form K (Erklæring K) with the Danish Tax Administration. If the broker signs the Form K, the broker will be under an obligation to forward information to the Danish Tax Administration information concerning the content of the brokerage account. By signing the Form K, you authorise the Danish Tax Administration to examine the account. If the broker does not sign the Form K, you undertake by signing the Form K the obligation to provide compliant information to the Danish Tax Administration each year. Form K can be found at the following website: www.skat.dk.

ESTONIA TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the **Share Purchase Plan**) of CGI Group Inc. (**CGI**) and its subsidiaries (together the **Group**).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (**Class A Shares**) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, transfer employment after you acquire Class A Shares under the Share Purchase Plan, or are considered a resident of another country for local law purposes, the information contained in this description may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the **Plan Documents**). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

The Employer's Contribution

You are not subject to tax on your employer's contributions to the trustee of the Share Purchase Plan (the **Trustee**).

Sale of Shares

When you subsequently sell your Class A Shares acquired under the Share Purchase Plan, any capital gain (i.e. the difference between the sale price and the acquisition value of the Class A Shares) will be subject to capital gains tax. No social security contributions are payable. You can deduct documented brokerage fees paid in connection with the sale of your Class A Shares.

However, capital gains derived by individuals from the disposal of financial assets (e.g. shares and securities traded publicly in any EEA or OECD country or, under certain conditions, in other countries) will not be taxable if: (i) such financial assets were acquired with funds deposited in an investment account opened for such purpose with a credit institution of an EEA or OECD country; and (ii) the proceeds of sale of such financial assets will be transferred back to the investment account. It is therefore possible that proceeds of the sale of Class A Shares acquired under the Share Purchase Plan may be exempt from a tax charge (or that such tax charge may be postponed) if such proceeds are transferred back to the investment account in which the funds used to acquire the Class A Shares were held. The gains realised through such sale of Class A Shares will be taxable only when transferred out of the investment account.

In order to benefit from the above capital gains tax exemption on the sale of Class A Shares and to obtain an exemption for any gains attributable to dividends reinvested in Class A Shares, you must complete a declaration attributing the acquisition value of the Class A Shares to the investment account. Such a declaration must be submitted by you in your annual income tax return in the year of purchasing the Class A Shares.

The acquisition value of the Class A Shares purchased for your account using the employer's contributions will equal the value of the employer's contributions in respect of which the employer is required to withhold tax. You can request a certificate from your employer proving that taxes have been paid in respect of the employer's contributions.

Dividends

If you hold or the Trustee holds for your account Class A Shares and CGI declares a dividend on the Class A Shares, you will not be subject to income tax on these dividends in Estonia. However, you will be subject to Canadian withholding tax.

Withholding and Reporting

It is your responsibility to pay and report any income tax due when you sell Class A Shares acquired under the Share Purchase Plan. Although you do not have to pay any Estonian income tax on dividends received from Class A Shares, you are still obliged to report such dividends on your annual income tax return.

FINLAND TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the **Share Purchase Plan**) of CGI Group Inc. (**CGI**) and its subsidiaries (together the **Group**).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (**Class A Shares**) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In particular, employees participating in the Share Purchase Plan are advised that there is uncertainty surrounding the treatment of trust arrangements under Finnish tax law, which may mean that this description is inapplicable or particularly vulnerable to changes in practice or interpretation. In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of a country other than Finland, transfer employment after you acquire Class A Shares under the Share Purchase Plan, or are considered a resident of another country for local law purposes, the information contained in this description may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the **Plan Documents**). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

The Employee's Contribution

Your contributions to the Share Purchase Plan will be withheld from your net post-tax salary and remitted at each of your pay periods by your employer to the trustee of the Share Purchase Plan (the **Trustee**). Full social security contributions are also payable on the withheld amount.

The Employer's Contribution

As there is no concept of "trustee" under Finnish tax law, the tax treatment of the Share Purchase Plan is unclear. However, as: (i) the Trustee is required to hold the Shares purchased under the Share Purchase Plan on your behalf; (ii) the Trustee has an obligation to establish and maintain separate accounts for and in the name of each person eligible to participate in the Share Purchase Plan; and (iii) there is no lock-up period incorporated into the terms of the Share Purchase Plan, so you may at any time withdraw from the Share Purchase Plan and receive either the Class A Shares held by the Trustee for your account or a cash payment, the trust structure is highly likely to be deemed transparent for Finnish income tax purposes. Accordingly, the Class A Shares are likely to be considered to be in your possession from the moment the Trustee purchases the Class A Shares for your account.

Accordingly, you are likely to be taxable on the employer's contribution on the date that such contribution is paid to the Trustee. Such tax will be recovered by means of a withholding by the employer from the employer's contribution in accordance with your individual tax withholding rate, as evidenced by your individual tax withholding cards.

If participation in the Share Purchase Plan is available to all or the majority of the employees of either the local Group employer or CGI, the only employee social security contribution payable should be the employee's medical care premium, which is levied at a rate of 1.30 per cent.

If participation in the Share Purchase Plan is not available to the majority of employees of either the local Group employer or CGI, full social security contributions are likely to be payable in respect of the employer's contribution. Finnish social security contributions are generally levied at a rate of approximately 25 per cent. (including the employee's medical care premium referred to above) of an employee's gross salary.

Sale of Shares

When you subsequently sell your Class A Shares acquired under the Share Purchase Plan, any capital gain will be subject to capital gains tax. You may deduct from such capital gain the acquisition cost of the Class A Shares, which consists of: (i) the purchase price of the Class A Shares (including, in relation to any Class A Shares acquired by reinvesting dividends paid on Class A Shares, the amount reinvested into the purchase of such Class A Shares); (ii) any amounts taxed as earned income; and (iii) any brokerage fees that you have paid in accordance with the terms of the Share Purchase Plan.

Dividends

If you hold or the Trustee holds for your account Class A Shares and CGI declares a dividend on the Class A Shares, it is likely that you will be subject to Finnish capital income tax on dividends that you receive, because the trust structure is likely to be deemed transparent (meaning that you are treated as the holder of the Class A Shares) for Finnish tax purposes. It is likely that the dividends will be taxed at the time of payment even though dividends paid on the Class A Shares held by the Trustee for your account are automatically reinvested in Class A Shares. The dividends will likely also be subject to Canadian withholding tax. You may be entitled to a Finnish tax credit for the Canadian withholding tax paid, provided certain conditions are met.

Withholding and Reporting

Your employer will withhold and report income tax when the employer's contributions are paid to the Trustee under the Share Purchase Plan. It is your responsibility to pay and report any taxes due when you sell Class A Shares acquired under the Share Purchase Plan or if dividends are paid.

Social Security

Your employer will withhold social insurance contributions when the employer's contributions are paid to the Trustee under the Share Purchase Plan.

FRANCE TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the **Share Purchase Plan**) of CGI Group Inc. (**CGI**) and its subsidiaries (together the **Group**).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (**Class A Shares**) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In particular, employees participating in the Share Purchase Plan are advised that there is uncertainty surrounding the treatment of trustee arrangements under French tax law, which may mean that this description is inapplicable or particularly vulnerable to changes in practice or interpretation. In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country and/or not subject to the French social security contributions scheme, transfer employment after you acquire Class A Shares under the Share Purchase Plan, or are considered a resident of another country for local law purposes, the information contained in this description may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the **Plan Documents**). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

Payroll deductions are not subject to preferred social security or income tax treatment.

Purchase of Shares

Payroll deductions are not subject to preferential social security or income tax treatment. Insofar as they are part of your salary, they remain subject to personal income tax and social security charges.

The Employer's Contribution

The employer's contribution constitutes additional employment income for French tax purposes. As a consequence, the employer's contribution will be treated as part of your salary and will be subject to income tax, 15.5 per cent. additional social taxes (CSG etc.) and social security charges.

Sale of Shares

When you subsequently sell your Class A Shares acquired under the Share Purchase Plan, any capital gain (i.e. the sale proceeds arising on the sale of the Class A Shares less the price paid for such Class A Shares

and any costs associated with their acquisition) will be subject to personal income tax (“progressive rate individual income tax”). The amount that will be taxable may be reduced, depending upon the length of the period for which the Class A Shares were held (it would be reduced by: (i) 20 per cent. if the Class A Shares were held for a period of 2 to 4 years; (ii) 30 per cent. if the Class A Shares were held for a period of 4 to 6 years; and (iii) 40 per cent. if the Class A Shares were held for a period of more than 6 years). The disposal of Class A Shares will also be subject to 15.5 per cent. additional social taxes (without any reduction).

You may realise a capital loss if the net sale price of the Class A Shares at the time of sale is less than the price you paid for such Class A Shares. With respect to both the personal income tax and the 15.5 per cent. additional social taxes, such capital loss can be offset against capital gains derived from the sale of securities during the year in which you sold the Class A Shares acquired under the Share Purchase Plan or the following 10 years. A capital loss cannot be offset against any other kind of income (such as salary). The French tax rules for offsetting capital loss are complex. *You should review those rules with your personal tax advisor prior to filing your personal income tax return.*

Dividends

If you hold Class A Shares and CGI declares a dividend on the Class A Shares, you will be subject to income tax (after a 40 per cent. reduction of the taxable amount), even though the dividends paid on the Class A Shares purchased under the Share Purchase Plan are automatically reinvested in Class A Shares. The dividends will be subject to a 21 per cent. withholding tax in France, which constitutes an instalment of the income tax eventually payable (and will therefore be either creditable against the total amount of income tax payable or partially or totally refundable). The dividends will also be subject to Canadian withholding tax at a rate of 15 per cent. of the gross amount of dividends distributed. You may be entitled to a French tax credit for the Canadian withholding tax paid, subject to certain conditions and limitations. Any dividends received will be subject to 15.5 per cent. additional social taxes (in relation to which the 40 per cent. reduction does not apply). Such taxes may be withheld and paid by the paying agent if domiciled in France. In the other situations, you will be required to make the payment.

Surtax

An additional 3 per cent. surtax applies on all types of income exceeding €250,000 (for single taxpayers) or €500,000 (for married taxpayers). The rate is brought up to 4 per cent. on income exceeding €500,000 (for single taxpayers) or €1,000,000 (for married taxpayers). *If you may be subject to the surtax, please contact your personal tax advisor regarding the availability of any surtax deferral payment (especially if your income crosses above the thresholds of €250,000 for a single taxpayer and €500,000 for a married taxpayer in 2013, but not in 2012 and 2011).*

Reporting

It is your responsibility to pay and report any taxes due when you purchase or sell Class A Shares acquired under the Share Purchase Plan and if dividends are paid (except for taxes withheld by the employer).

Exchange Controls

If you request that any of the Class A Shares purchased for your account under the Share Purchase Plan are transferred to you by the trustee of the Share Purchase Plan, you may hold such Class A Shares outside of France provided that you declare all foreign accounts, whether open, current or closed, in your income tax return. Furthermore, you must declare to the customs and excise authorities any cash or securities that you import or export without the use of a financial institution if the value of such cash or securities is equal to or exceeds a certain amount which is set annually (€10,000 for 2013).

GERMANY TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the **Share Purchase Plan**) of CGI Group Inc. (**CGI**) and its subsidiaries (together the **Group**).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (**Class A Shares**) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

This description applies to employees participating in the Share Purchase Plan who are German resident and who are both employed and carry out activities in Germany as part of such employment.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the **Plan Documents**). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

The Employer's Contribution

You will be subject to wage tax on your employer's contributions to the Share Purchase Plan on your behalf either when your employer pays such contributions to the trustee of the Share Purchase Plan (the **Trustee**) or when the Class A Shares are purchased by the Trustee for your account (both of which will generally occur in the same month). The amount which is subject to tax is determined by converting the amount contributed by your employer into Euros on the day the employer's contribution on your behalf is paid to the Trustee or on the day the Class A Shares are purchased by the Trustee for your account. You also will be subject to social insurance contributions on your employer's contributions to the extent that you have not already exceeded the applicable contribution ceiling.

Sale of Shares

When you subsequently sell your Class A Shares acquired under the Share Purchase Plan, you will be subject to capital gains tax at a flat rate of 25 per cent. (plus a solidarity surcharge and church tax, if applicable). The taxable amount will be the difference between the proceeds of sale of such Class A Shares and the purchase price of such Class A Shares. However, you may elect to apply your personal income tax rate if the flat rate exceeds your personal income tax rate.

Employees should be aware that the capital gains flat tax rate does not apply to gains from the sale of Class A Shares if the employee holds or has held at least 1 per cent. of CGI's stated capital at any time during the last five years, or holds the Class A Shares as a business asset. In such circumstances, 60 per cent. of the

capital gain realised will be taxed at the employee's personal income tax rate (plus a solidarity surcharge and church tax, if applicable).

Dividends

If you hold, or the Trustee holds for your account, Class A Shares and CGI declares a dividend on the Class A Shares, you will be subject to income tax on such dividends, even though the dividends paid on the Class A Shares purchased under the Share Purchase Plan are automatically reinvested in Class A Shares. Dividends paid on or after 1 January 2009 will be subject to capital gains tax (*Abgeltungssteuer*) in Germany at a flat rate of 25 per cent. (plus a solidarity surcharge and church tax, if applicable) and to Canadian withholding tax (subject to any reductions under the Germany-Canada double tax treaty). You may be entitled to a German tax credit for any Canadian withholding tax paid, provided certain conditions are met.

Withholding and Reporting

Your employer will withhold and report income tax when Class A Shares are purchased by the Trustee for your account under the Share Purchase Plan. It is your responsibility to pay and report any taxes due when you sell Class A Shares acquired under the Share Purchase Plan and if dividends are paid.

Social Security

Your employer will withhold social insurance contributions in respect of the employer's contribution (to the extent that you have not exceeded the applicable ceiling for social insurance contributions) when Class A Shares are purchased by the Trustee for your account under the Share Purchase Plan.

Exchange Controls

Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. If you use a German bank to process a cross-border payment in connection with the purchase or sale of Class A Shares or the payment of dividends on Class A Shares, the bank will make the monthly reports for you.

HUNGARY TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the **Share Purchase Plan**) of CGI Group Inc. (**CGI**) and its subsidiaries (together the **Group**).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (**Class A Shares**) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, transfer employment after you acquire Class A Shares under the Share Purchase Plan, or are considered a resident of another country for local law purposes, the information contained in this description may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the **Plan Documents**). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

The Employer's Contribution

Employees are subject to personal income tax on the employer's contribution. The full amount of such contribution will be taxed at a linear rate of 16 per cent., which will be withheld and paid by the employer to the tax authorities at the point in time at which the employee is entitled to call for the Class A Shares purchased for his account under the Share Purchase Plan to be transferred to him, which will be the date of acquisition of the Class A Shares by the trustee of the Share Purchase Plan (the **Trustee**). Social security contributions will also be payable in respect of the employer's contribution, as explained below.

Sale of Shares

When you subsequently sell your Class A Shares acquired under the Share Purchase Plan, any capital gain (i.e. the difference between the sale price and the purchase price including any brokerage fees and other charges) will be subject to personal income tax of 16 per cent. The tax shall be calculated, paid and reported by the employee.

Dividends

If you hold, or the Trustee holds for your account, Class A Shares and CGI declares a dividend on the Class A Shares, you will be subject to income tax on any dividends that you receive, even though dividends paid on the Class A Shares purchased under the Share Purchase Plan are automatically reinvested in Class A Shares. The dividends will be subject to personal income tax in Hungary at a rate of 16 per cent. and to Canadian withholding tax. You may be entitled to a Hungarian tax credit for 90 per cent. of the Canadian withholding tax paid, provided certain conditions are met.

Withholding and Reporting

Your employer will withhold and report advance income tax to the Hungarian tax authorities when Class A Shares are purchased by the Trustee for your account under the Share Purchase Plan and you become entitled to call for those Class A Shares to be transferred to you. It is your responsibility to pay and report any taxes due when you sell any of your Class A Shares acquired under the Share Purchase Plan and if dividends are paid. You should keep all receipts in connection with any transaction for five years as these receipts must be presented to the Hungarian tax authorities upon request.

Social Security

Since the purchase is performed through the Group, it is the local Hungarian employer's responsibility to withhold, pay and report the employee's social security tax contributions at a rate of 18.5 per cent. on any employer's contributions, when Class A Shares are purchased for your account under the Share Purchase Plan.

LUXEMBOURG TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the ***Share Purchase Plan***) of CGI Group Inc. (***CGI***) and its subsidiaries (together the ***Group***).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (***Class A Shares***) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in Luxembourg, and if different, in your country of tax residence apply to your specific situation.**

If you are a citizen or resident of another country, are considered a resident of another country for local law purposes, the information contained in this description as concerns taxation of dividends and/or taxation of capital gains may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the ***Plan Documents***). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

The Employer's Contribution

The employer's contributions to the Share Purchase Plan on your behalf are subject to tax as set out below in the paragraphs "Withholding and Reporting" and "Social Security".

Sale of Shares

If you or the trustee of the Share Purchase Plan (the ***Trustee***) sells your Class A Shares acquired under the Share Purchase Plan within the six months following your acquisition of them, any capital gain (i.e. the difference between the sale price of the Class A Shares and the purchase price of the Class A Shares, together with expenses such as brokerage fees) will be subject to taxation in Luxembourg at marginal income tax rates. However, if the aggregate of any capital gains realised on the sale of any shares (i.e. not only the Class A Shares) held by the employee does not exceed €500 in a calendar year, that capital gain may be tax-exempt, provided that certain conditions are met.

The capital gains you realise on a disposal of Class A Shares are not subject to tax if the Class A Shares are sold or disposed of more than six months after your acquisition of them.

Dividends

If you hold or the Trustee holds for your account Class A Shares and CGI declares a dividend on the Class A Shares, you will be subject to income tax on dividends that you receive, even though dividends paid on the Class A Shares purchased under the Share Purchase Plan are automatically reinvested in Class A Shares. The dividends will be subject to income tax in Luxembourg and to Canadian withholding tax. In Luxembourg, you will be required to pay tax on only half of the amount of dividends you receive. You may be entitled to a Luxembourg tax credit for the Canadian withholding tax paid, provided certain conditions are met.

Withholding and Reporting

Your employer will withhold income tax when Class A Shares are purchased by the Trustee for your account under the Share Purchase Plan. It is your responsibility to pay and report any taxes due when you or the Trustee sells your Class A Shares acquired under the Share Purchase Plan and if dividends are paid (even if such dividends are automatically reinvested in Class A Shares).

Social Security

Your employer will withhold social insurance contributions in respect of the employer's contribution (to the extent that you have not exceeded the applicable ceiling for social insurance contributions) when Class A Shares are purchased by the Trustee for your account under the Share Purchase Plan.

Exchange Controls

Any outward and inward remittance of funds must be reported to the Banque Central de Luxembourg and/or the Service Central de La Statistique et des Études Économiques for statistical purposes. If a Luxembourg financial institution is involved in the transaction, it will fulfil the reporting obligation on your behalf; otherwise you will be required to report the transaction yourself.

NETHERLANDS TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the ***Share Purchase Plan***) of CGI Group Inc. (***CGI***) and its subsidiaries (together the ***Group***).

This description is based on the tax laws in effect in the Netherlands (the Netherlands means the Kingdom of the Netherlands located in Europe) as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (***Class A Shares***) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

For purposes of Netherlands income tax, Class A Shares legally owned by a third party such as a trustee, foundation or similar entity or arrangement (a ***Third Party***), may under certain circumstances have to be allocated to the (deemed) settlor, grantor or similar originator (the ***Settlor***) or, upon the death of the Settlor, his/her beneficiaries (the ***Beneficiaries***) in proportion to their entitlement to the estate of the Settlor of such trust or similar arrangement (the ***Separated Private Assets***).

This description applies to you if you: (i) are an individual resident or deemed to be resident in the Netherlands; (ii) have elected to be taxed as a resident of the Netherlands for Netherlands income tax purposes; (iii) perform (work) activities in the Netherlands; or (iv) are a (supervisory) board director of a Netherlands Group company.

If you are a citizen or resident of another country or if you have a significant interest in the Group, transfer employment after you acquire Class A Shares under the Share Purchase Plan, or are considered a resident of another country for local law purposes, the information contained in this description may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the ***Plan Documents***). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

The Employer's Contribution

The amount of your employer's contribution to the Share Purchase Plan will be considered part of your income from employment from the time of the payment of the employer's contribution by the employer to the trustee of the Share Purchase Plan (the ***Trustee***). In addition, to the extent that CGI assumes certain fees relating to the Share Purchase Plan (such as the brokerage fees attached to the purchase of Class A Shares), this may form part of your income from employment. Consequently, such amounts will be subject to wage withholding tax at the applicable progressive rates (up to 52 per cent. for the year 2013).

In addition, mandatory social security contributions will be due, unless you have already reached the ceiling on social security contributions through payment of your normal wage. Your employer is obliged to withhold the wage withholding tax (including the social security contributions, if any) due. In this respect, it is important to note that wage withholding tax serves as an advance payment and can therefore be credited against your Netherlands personal income tax due.

Taxes on Income and Capital Gains

You will be subject to regular Netherlands income tax on the income derived from the Class A Shares and the gains realised upon the acquisition, redemption and/or disposal of the Class A Shares, if:

- (a) you have an enterprise or an interest in an enterprise, to which enterprise the Class A Shares are attributable; and/or
- (b) such income or capital gain forms “a benefit from miscellaneous activities” (“*resultaat uit overige werkzaamheden*”) which would be the case if, for instance, the activities with respect to the Class A Shares exceed “normal active asset management” (“*normaal, actief vermogensbeheer*”) or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a *lucratief belang*) that you have acquired under circumstances such that such income and gains are intended to be remuneration for work or services performed by you (or a related person) in the Netherlands, whether within or outside an employment relation, where such lucrative interest provides you, economically speaking, with certain benefits that have a relation to the relevant work or services.

If either of the abovementioned conditions (a) or (b) applies, income or capital gains in respect of dividends distributed by CGI or in respect of any gain realised on the disposal of Class A Shares will in general be subject to Netherlands income tax as income from “employment and home ownership” (*werk en woning*) at the progressive rates up to 52 per cent.

If the abovementioned conditions (a) and (b) do not apply, you will not be subject to taxes on income and capital gains in the Netherlands. Instead, you will be taxed at a flat rate of 30 per cent. on deemed income from “savings and investments” (“*sparen en beleggen*”). This deemed income amounts to 4 per cent. of your “yield basis” (“*rendementsgrondslag*”) at the beginning of the calendar year (minus a tax-free amount). The yield basis would include the fair market value of the Class A Shares.

As a holder of Class A Shares you are generally entitled, subject to certain limitations and restrictions, to a credit for the Canadian withholding tax on dividends received against your income tax liability in respect of income from employment and home ownership or from savings and investments (as applicable).

Withholding and Reporting

Your employer will withhold wage withholding tax upon making the employer’s contribution to the Trustee. It is your responsibility to pay and report any taxes due when you sell Class A Shares acquired under the Share Purchase Plan and if dividends are paid.

NORWAY TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the ***Share Purchase Plan***) of CGI Group Inc. (***CGI***) and its subsidiaries (together the ***Group***).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (***Class A Shares***) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In particular, employees participating in the Share Purchase Plan are advised that there is uncertainty surrounding the treatment of the trustee arrangement under Norwegian tax law, which may mean that this description is inapplicable or particularly vulnerable to changes in practice or interpretation. In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, transfer employment after you acquire Class A Shares under the Share Purchase Plan, or are considered a resident of another country for local law purposes, the information contained in this description may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the ***Plan Documents***). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

The Employer's Contribution

You will be subject to tax on the employer's contribution, most likely when the employer's contribution is paid to the trustee of the Share Purchase Plan (the ***Trustee***). The contribution will be considered income from employment and taxed at a marginal tax rate of 47.8 per cent. (according to 2013 rates, including the employee's social security contribution of 7.8 per cent.). Certain adjustments may be available that will reduce the taxable amount. As there is some uncertainty associated with the time of taxation and the availability of a tax reduction due to the uncertainty surrounding the tax treatment of trusts from a Norwegian tax perspective, we advise that you consult your personal tax advisor regarding this issue.

The employer must also withhold social insurance contributions on the employer's contribution amount, most likely at the time the employer's contribution is paid to the Trustee.

Sale of Shares

When you subsequently sell your Class A Shares acquired under the Share Purchase Plan, any capital gain (i.e. the difference between the sale price and the purchase price, less any fees incurred such as brokerage

fees) will be subject to capital gains tax. Certain adjustments may be available that will reduce the capital gain.

Dividends

If you hold or the Trustee holds for your account Class A Shares and CGI declares a dividend on the Class A Shares, you will be subject to income tax in Norway on dividends that you receive, even though dividends paid on the Class A Shares purchased under the Share Purchase Plan are automatically reinvested in Class A Shares. Certain adjustments may be available that will reduce the dividend income. In addition, the dividends will be subject to Canadian withholding tax. You may be entitled to a Norwegian tax credit for the Canadian withholding tax paid, provided certain conditions are met.

Wealth Tax

You will be subject to wealth tax on your Class A Shares held at year-end. The taxable amount is the fair market value of the Class A Shares held on 1 January in the year following the relevant tax year.

Exit Tax

You may be subject to income tax on Class A Shares held by the Trustee for your account at the time of emigration if you leave Norway. Please consult with your personal tax advisor regarding your tax obligations in the event that you emigrate from Norway.

Withholding and Reporting

Your employer will report income tax and withhold income tax most likely upon payment of the employer's contribution to the Trustee. It is your responsibility to pay and report any taxes due when you sell Class A Shares acquired under the Share Purchase Plan and if dividends are paid.

Social Security

Your employer will withhold social insurance contributions in respect of the employer's contribution, most likely around the time of payment of the employer's contribution by the employer to the Trustee.

POLAND TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the **Share Purchase Plan**) of CGI Group Inc. (**CGI**) and its subsidiaries (together the **Group**).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (**Class A Shares**) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In particular, employees participating in the Share Purchase Plan are advised that there is uncertainty surrounding the treatment of trusts under Polish tax law, which may mean that this description is inapplicable or particularly vulnerable to changes in practice or interpretation. In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, transfer employment after you acquire Class A Shares under the Share Purchase Plan, or are considered a resident of another country for local law purposes, the information contained in this description may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the **Plan Documents**). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

The Employer's Contribution

Although the tax treatment of trustee arrangements under Polish tax law is not clear, it is likely that you will be subject to income tax on the employer's contribution when you receive the Class A Shares, or the proceeds from a sale of such Class A Shares, from the trustee of the Share Purchase Plan (the **Trustee**). At the time at which you become liable to income tax, health insurance and social security contributions may also be payable.

Sale of Shares

When you subsequently sell your Class A Shares acquired under the Share Purchase Plan, the sale proceeds (i.e. the difference between the sale price and the purchase price) will be subject to income tax.

Dividends

If you hold, or the Trustee holds for your account, Class A Shares and CGI declares a dividend on the Class A Shares, you will be subject to income tax on dividend payments that you receive, even though the dividends paid on the Class A Shares purchased under the Share Purchase Plan are automatically reinvested in Class A Shares. The dividends received will be subject to income tax in Poland and to Canadian

withholding tax. You may be entitled to a Polish tax credit for the Canadian withholding tax paid, provided certain conditions are met.

Withholding and Reporting

Your employer will most likely withhold income tax in respect of the employer's contribution when Class A Shares are purchased for your account under the Share Purchase Plan. It is your responsibility to pay and report any taxes due when you sell Class A Shares acquired under the Share Purchase Plan and if dividends are paid.

Social Security

Your employer will withhold social and health insurance contributions when Class A Shares are purchased for your account under the Share Purchase Plan to the extent you have not already exceeded the applicable contribution threshold.

Exchange Controls

If you are a resident of Poland, you may be required to report Class A Shares held in a foreign company such as CGI, as well as any dividends received, to the National Bank of Poland.

PORTUGAL TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the **Share Purchase Plan**) of CGI Group Inc. (**CGI**) and its subsidiaries (together the **Group**).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (**Class A Shares**) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, transfer employment after you acquire Class A Shares under the Share Purchase Plan, or are considered a resident of another country for local law purposes, the information contained in this description may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the **Plan Documents**). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

The Employer's Contribution

You are subject to income tax ("*Imposto sobre o Rendimento das Pessoas Singulares*") on the employer's contribution in the fiscal year in which the trustee of the Share Purchase Plan (the **Trustee**) purchases the Class A Shares for your account. The employer's contribution will, however, be treated as employment income, which will be subject to *Imposto sobre o Rendimento das Pessoas Singulares* at a progressive rate up to 48 per cent. Such tax will be computed by reference to the difference between the purchase price of the Class A Shares and the part of such price that is paid out of or deducted from your contributions to the Share Purchase Plan. In addition to such tax, an extraordinary surcharge of 3.5 per cent., plus a solidarity surcharge of 2.5 per cent. (for taxable income between €80,000 and €250,000) or 5 per cent. (for taxable income exceeding €250,000) will be applicable.

Sale of Shares

You are subject to *Imposto sobre o Rendimento das Pessoas Singulares* in the fiscal year when either you or the Trustee (acting on your behalf) sells your Class A Shares, which shall be payable upon the difference between the purchase price of the Class A Shares and the sale price of the Class A Shares (less any brokerage fees paid in respect of such sale). Such income shall be characterised as capital gains. Capital gains are subject to a flat tax rate of 28 per cent.

Dividends

You are subject to *Imposto sobre o Rendimento das Pessoas Singulares* in the fiscal year when dividends are received in respect of your Class A Shares. Such dividends are subject to a flat tax rate of 28 per cent.

Withholding and Reporting

Your employer is not required to withhold *Imposto sobre o Rendimento das Pessoas Singulares* when Class A Shares are purchased for your account under the Share Purchase Plan, nor when you receive dividends or realise capital gains from such Class A Shares.

If Canadian withholding tax arises on the employer's contributions to the Share Purchase Plan or on dividends or capital gains in respect of your Class A Shares, you may be entitled to credit such tax against the *Imposto sobre o Rendimento das Pessoas Singulares* due on such items of income provided certain conditions are met.

Your employer will report, to both you and the Portuguese tax authorities, the taxable benefits resulting from the purchase of Class A Shares under the Share Purchase Plan. It is your responsibility to pay and report taxes due upon the purchase of Class A Shares, the sale of Class A Shares or the receipt of any dividends.

Social Security

You will not be subject to contributions to Portuguese social security on the employer's contribution, capital gains or dividends in respect of your Class A Shares.

Exchange Controls

If you hold or the Trustee holds for your account Class A Shares, the acquisition of such Class A Shares must be reported to the Portuguese Central Bank ("*Banco de Portugal*") for statistical purposes. If the Class A Shares are deposited with a commercial bank or financial intermediary in Portugal, such bank or financial intermediary will submit the report to the *Banco de Portugal*. If the Class A Shares are not deposited with a commercial bank or financial intermediary in Portugal, you will be responsible for submitting the report to the *Banco de Portugal* within fifteen working days following the month during which the transaction occurred.

SLOVAK REPUBLIC TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the **Share Purchase Plan**) of CGI Group Inc. (**CGI**) and its subsidiaries (together the **Group**).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (**Class A Shares**) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of a country other than the Slovak Republic, transfer employment after you acquire Class A Shares under the Share Purchase Plan, or are considered a resident of another country for local law purposes, the information contained in this description may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the **Plan Documents**). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

The Employer's Contribution

The employer's contribution will be considered to be employment related income and accordingly will be subject to Slovak income tax at the moment when the Class A Shares are purchased for your account under the Share Purchase Plan or when you receive a cash payment equal to any fractional Class A Share value.

You will also be subject to social security and health insurance contributions on your taxable income to the extent you have not already exceeded the applicable contribution ceiling.

Sale of Shares

You may be subject to tax when you subsequently sell your Class A Shares acquired under the Share Purchase Plan. The taxable amount will be the profit you realise on the sale of Class A Shares, i.e. the difference between: (i) the sum of the proceeds from sale of the Class A Shares; and (ii) the sum of the purchase price of the Class A Shares and other expenses relating to the Class A Shares sold.

Annual income from certain sources, including the sale of shares, is exempt from tax up to the amount of €500. If you receive income from the sale of Class A Shares along with income from other qualifying sources, the application of this tax exemption is limited to €500 in the relevant year for all of the relevant sources.

If you are subject to tax, the amount on which tax will be required to be paid is likely to be equal to the difference between: (i) the sum of the proceeds from sale of the Class A Shares and certain other income; and (ii) the sum of the purchase price of the Class A Shares and other expenses relating to the sold Class A Shares or other income.

Dividends

If you hold or the Trustee holds for your account Class A Shares and CGI declares a dividend on the Class A Shares, you will not be subject to income tax in the Slovak Republic, but you will be subject to Canadian withholding tax.

Dividends paid to you may be subject to health insurance contributions (as of 1 January 2013, at a rate of 14 per cent.) irrespective of whether they were paid in the form of cash or whether the proceeds were re-invested into a purchase of further Class A Shares.

Withholding and Reporting

Your employer will withhold and report income tax when Class A Shares are purchased for your account under the Share Purchase Plan. It is your responsibility to pay and report any taxes due when you sell Class A Shares acquired under the Share Purchase Plan and if dividends are paid.

Social Security and Health Insurance

Your employer will withhold social insurance and health insurance contributions (if applicable) when Class A Shares are purchased for your account under the Share Purchase Plan. You may also be obliged to report to your health insurance company the amount of dividends received and to pay health insurance contributions resulting from the receipt of dividends.

SPAIN TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the **Share Purchase Plan**) of CGI Group Inc. (**CGI**) and its subsidiaries (together the **Group**).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinated voting shares in CGI (**Class A Shares**) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In particular, Spanish participants in the Share Purchase Plan are advised that, as described below, there is an important degree of uncertainty surrounding the treatment of trusts (including the kind of trustee arrangement involved in the Share Purchase Plan) as a matter of Spanish tax law, which may mean that this description is inapplicable, or is particularly vulnerable to changes in practice or interpretation. In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of another country, transfer employment after you acquire Class A Shares under the Share Purchase Plan, or are considered a resident of another country for local law purposes, the information contained in this description may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the **Plan Documents**). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

The Employer's Contribution

Under Spanish law, the "trust" concept does not exist and there is no equivalent institution in the Spanish civil law system. Furthermore, Spain has not entered into any international or European convention by which matters concerning trusts are regulated. Therefore, there is a degree of uncertainty in the Spanish tax treatment of trusts.

Additionally, to our knowledge, the Spanish courts and tax authorities have issued little or almost no guidance in relation to the tax treatment of trusts in Spain.

According to the (very few) tax rulings issued by the Spanish tax authorities, it seems that the trust: (i) should be interpreted as a mere mandate or fiduciary agreement; and (ii) should be ignored for tax purposes (i.e. treated as a transparent entity), as if the transactions have been carried out directly between the parties involved in the trust. Following this interpretation:

- (a) your Spanish employer's contributions to the Share Purchase Plan should be considered cash contributions made directly to you in order for you to acquire Class A Shares; and

- (b) you should be considered to be the owner of the Class A Shares as from the date of their acquisition by the trustee of the Share Purchase Plan (the **Trustee**) for your account.

From a Spanish tax standpoint, contributions made by the Spanish employer to the Share Purchase Plan would have the same tax treatment as any other cash salary income obtained by you, so would be subject to withholding tax on account of Spanish individual income tax (**Spanish IIT**) at the applicable progressive rates.

You also will be subject to social insurance contributions on the taxable amount to the extent you have not already exceeded the applicable contribution ceiling.

Sale of Shares

Capital gains (i.e. the difference between (i) the sale price and (ii) the purchase price plus any amount on which you have already paid taxes and any expenses incurred (the *acquisition cost*)) realised by you upon the sale of Class A Shares would be included in Spanish IIT savings taxable income (*base del ahorro*) only if the Class A Shares have not been acquired within the year prior to the date of their transfer.

As a general rule, savings income is taxed at a rate of 19 per cent. on the first €6,000 and at a rate of 21 per cent. thereafter. However, such rates have been temporarily increased, so that during 2013, savings income: (i) up to €6,000 would be taxed at 21 per cent.; (ii) from €6,000 to €24,000 would be taxed at 25 per cent.; and (iii) in excess of €24,000 would be taxed at 27 per cent.

If, however, the Class A Shares have been acquired during the year prior to the date of their transfer, capital gains would be included in Spanish IIT general taxable income (*base general*) and be taxed according to your progressive Spanish IIT rate. As a general rule, Spanish individuals are subject to Spanish IIT at a regular progressive rate up to 45 per cent. (or 49 per cent. in Cataluña). However, for income obtained during 2013, such rates have been temporarily increased up to a maximum of 56 per cent. (depending on the relevant region (*Comunidad Autónoma*)).

Dividends

If you hold or the Trustee holds for your account Class A Shares and CGI declares a dividend on the Class A Shares, you will be subject to Spanish IIT on dividend payments received, even though the dividends paid on the Class A Shares purchased under the Share Purchase Plan are automatically reinvested in Class A Shares.

Dividends paid on the Class A Shares would be included in your Spanish IIT savings taxable base (*base del ahorro*) and taxed accordingly (please refer to the paragraph on taxation of savings income above). However, as a general rule, you should benefit from a €1,500 per year tax exemption in relation to the distribution of dividends on the Class A Shares.

In the event that any dividends paid to you have been subject to Canadian withholding tax, you should be entitled to a Spanish tax credit for the Canadian withholding tax paid, provided that the conditions/requirements provided in Article 80 of the Spanish IIT Law are met.

Withholding and Reporting

If the taxable amount at purchase of the Class A Shares is considered to be cash salary income, the Spanish employer will withhold the corresponding withholding tax on account of your Spanish IIT. This amount will be withheld from your salary and reported to the Spanish tax authorities. You would be entitled to deduct the withholding tax from your Spanish IIT return. It is your responsibility to report and pay any tax due from the sale of Class A Shares or receipt of any dividends.

Social Security

Your employer will withhold social insurance contributions on the taxable amount (to the extent that you have not exceeded the applicable ceiling for social insurance contributions).

Wealth Tax (Impuesto sobre el Patrimonio)

Pursuant to Royal Decree-Law 13/2011 of 16 September (as amended by Law 16/2012 of 27 December), wealth tax has been temporarily restored in Spain for the 2013 tax period.

This tax is levied on the net worth of an individual's assets and rights at a progressive rate that, unless otherwise regulated by the relevant region (*Comunidad Autónoma*), ranges from 0.2 per cent. on the first €167,129 to 2.5 per cent. on amounts over €10.7 million, with some reductions that may be applicable. Notwithstanding the above, and unless otherwise regulated by the relevant region (*Comunidad Autónoma*) of residence, Spanish individual holders shall be exempt from any wealth tax on the first €700,000 of their net wealth.

For the purposes of calculating the wealth tax liabilities corresponding to 2013 (and payable in 2014), individuals with tax residence in Spain who are required to pay wealth tax should take into account their wealth held as at 31 December 2013.

Obligation to Inform the Spanish Tax Authorities of the Ownership of Class A Shares

As of 1 January 2013, there is a new obligation for Spanish residents to declare, on an annual basis, their foreign rights and assets (such as Class A Shares).

As regards the Class A Shares, such information would include: (i) the name and corporate domicile of CGI; and (ii) the number and class of shares held on 31 December, along with their value and details of any shareholdings disposed of during the year, and would need to be provided to the Spanish tax authorities between 1 January and 31 March of the year immediately following.

This obligation would only need to be complied with if certain thresholds are met. If your only foreign rights/assets are the Class A Shares, this obligation would only apply if the value of the Class A Shares at purchase exceeds €50,000. If this threshold is met, a declaration would only be required in subsequent years if the value of the Class A Shares increases by more than €20,000 as compared with the declaration made previously.

Exchange Controls

It is your responsibility to comply with exchange control regulations in Spain. You must declare the acquisition of Class A Shares for statistical purposes to the *Dirección General de Comercio e Inversiones* (the **DGCI**) of the *Ministerio de Economía*. If you purchase any Class A Shares through the use of a Spanish financial institution, that institution will automatically make the declaration to the DGCI for you; otherwise you must make the declaration by filing the appropriate form with the DGCI. You must also declare ownership of Class A Shares with the DGCI each January while the Class A Shares are owned.

When receiving foreign currency payments derived from the ownership of Class A Shares (i.e. dividends and proceeds from the sale of the Class A Shares), you must inform the financial institution receiving the payment of the basis upon which such payment is made. You will need to provide the institution with the following information: (i) your name, address and fiscal identification number; (ii) the name and corporate domicile of CGI; (iii) the amount of the payment; (iv) the currency used; (v) the country of origin; (vi) the reasons for the payment; and (vii) any additional information that may be required.

SWEDEN TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the **Share Purchase Plan**) of CGI Group Inc. (**CGI**) and its subsidiaries (together the **Group**).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (**Class A Shares**) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of a country other than Sweden, transfer employment after you acquire Class A Shares under the Share Purchase Plan, or are considered a resident of another country for local law purposes, the information contained in this description may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the **Plan Documents**). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

The Employer's Contribution

When Class A Shares are purchased by the trustee of the Share Purchase Plan (the **Trustee**) for your account, you will be subject to income tax on the employer's contribution.

Sale of Shares

When you subsequently sell your Class A Shares acquired under the Share Purchase Plan, any capital gain (i.e. the difference between the sale proceeds of the Class A Shares, less the purchase price of the Class A Shares and any expenses relating to the Class A Shares) will be subject to capital gains tax at a rate of 30 per cent. If a number of Class A Shares have been sold which have been acquired at different purchase prices, the average purchase price should be used in the calculation.

As an alternative, as the Class A Shares are listed on an exchange, you may use 20 per cent of the net sale proceeds as your acquisition cost for the Class A Shares.

Dividends

If you hold or the Trustee holds for your account Class A Shares and CGI declares a dividend on the Class A Shares, you will be subject to income tax on dividend payments that you receive, even though the dividends paid on the Class A Shares purchased under the Share Purchase Plan are automatically reinvested

in Class A Shares. The dividends received will be subject to capital income tax at a rate of 30 per cent in Sweden and to Canadian withholding tax. You may be entitled to a Swedish tax credit for the Canadian withholding tax paid, provided certain conditions are met.

Withholding and Reporting

Your employer will withhold income tax in respect of the employer's contribution when Class A Shares are purchased for your account under the Share Purchase Plan. It is your responsibility to pay and report any taxes due when you sell Class A Shares acquired under the Share Purchase Plan and if dividends are paid.

UNITED KINGDOM TAX CONSEQUENCES

The following is a general summary description of the tax consequences of your participation in the Share Purchase Plan (the **Share Purchase Plan**) of CGI Group Inc. (**CGI**) and its subsidiaries (together the **Group**).

This description is based on the tax and other laws concerning equity awards in effect in your country as at 14 March 2013. Such laws are often complex and change frequently. As a result, the information contained in this prospectus may be out of date at the time you acquire Class A subordinate voting shares in CGI (**Class A Shares**) under the Share Purchase Plan or sell Class A Shares you acquire under the Share Purchase Plan.

In addition, this description does not discuss all of the various laws, rules and regulations that may apply. It may not apply to your particular tax or financial situation, and the Group is not in a position to assure you of any particular tax result. **Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax or other laws in your country apply to your specific situation.**

If you are a citizen or resident of a country other than the UK, transfer employment after you acquire Class A Shares under the Share Purchase Plan, or are considered a resident of another country for local law purposes, the information contained in this description may not apply to you.

Note: The particular terms of the Share Purchase Plan are set forth in the applicable plan documents and the application form which you must complete and send to CGI in order to participate in the Share Purchase Plan (the **Plan Documents**). If there is an inconsistency between the description below and the Plan Documents, the Plan Documents will govern. As stated in the Plan Documents, the ability to participate in the Share Purchase Plan is not a contract or a guarantee of continued employment. Employment is and always will be on the basis provided for in your employment agreement, if any. The Share Purchase Plan is not part of your salary and will not be included in calculations of any severance payments that may be payable upon termination of employment.

THE SHARE PURCHASE PLAN

Enrollment in the Share Purchase Plan

The fact of enrolling in the Share Purchase Plan will not in itself subject you to tax. Please read below for other tax considerations applicable to the Share Purchase Plan.

Purchase of Shares

When Class A Shares are purchased for your account, you will be subject to income tax on the employer's contribution to the trustee of the Share Purchase Plan (the **Trustee**). You also will be subject to employee's national insurance contributions (**NICs**) on that contribution.

Sale of Shares

When you subsequently sell your Class A Shares acquired under the Share Purchase Plan, any capital gain (i.e. the sale proceeds arising on the sale of the Shares less the price paid for such Class A Shares and any costs of acquisition) will be subject to capital gains tax to the extent the gain exceeds the annual personal exemption.

For the sale of Class A Shares on or after 1 January 2013, the amount by which capital gain exceeds the annual personal exemption (£10,600 for the 2012/13 tax year and for the 2013/14 tax year) is called the "chargeable gain" and is subject to capital gains tax at a rate of either 18 per cent. or 28 per cent. The 18 per cent. rate will apply if your total chargeable gain and income (less income tax reliefs and allowances) in any tax year are less than the upper limit of the income tax basic rate band (£34,370 for the 2012/2013 tax year and £32,010 for the 2013/2014 tax year). The 28 per cent. rate will apply to gains (or any part of gains) where the upper limit of the income tax basic rate band is exceeded.

If you acquire Class A Shares from other sources, the share identification rules may need to be taken into account in calculating your capital gains tax liability.

Dividends

If you hold or the Trustee holds for your account Class A Shares and CGI declares a dividend on the Class A Shares, you will be subject to income tax on dividend payments that you receive, even though the dividends paid on the Class A Shares purchased under the Share Purchase Plan are automatically reinvested in Class A Shares. The dividends received will be subject to income tax in the UK and to Canadian withholding tax. You may be entitled to a UK tax credit for the Canadian withholding tax paid, provided certain conditions are met.

Withholding and Reporting

When Class A Shares are purchased for your account under the Share Purchase Plan, your employer will be responsible for withholding income tax under the Pay As You Earn system and employer's NICs in relation to the employer's contribution at the date of purchase and for paying the income tax and employee's NICs withheld to the UK HM Revenue and Customs on your behalf. Your employer will inform you of how it intends to recoup the income tax that it pays on your behalf. If you fail to pay to the employer the income tax due within 90 days of the date of purchase, you will be deemed to have received a further taxable benefit equal to the amount of income tax the employer has paid on your behalf, and you will have to pay further tax on this amount.

It is your responsibility to pay and report any taxes due when you sell Class A Shares acquired under the Share Purchase Plan and if dividends are paid.

Social Security

Your employer will withhold employer's and employee's NICs in respect of the employer's contributions when Class A Shares are purchased for your account under the Share Purchase Plan.

PART 3: TABLE OF PRINCIPAL SUBSIDIARIES

CGI owns, directly or indirectly, 100 per cent. of the shares of each company in this table.

Principal Affiliates and Addresses	Location of Incorporation	Principal Business
Conseillers en gestion et informatique CGI Inc. 1350 René-Lévesque Blvd. West, 25th Floor Montreal, Quebec Canada H3G 1T4	Québec, Canada	Information systems, information technology, consulting
CGI Group Holdings USA Inc. 600 Federal Street Andover, Massachusetts 01810 USA	Delaware, United States of America	Holding company
CGI Technologies and Solutions Inc. 11325 Random Hills Road Fairfax, Virginia 22030 USA	Delaware, United States of America	Information systems, information technology, consulting
CGI Federal Inc. 12601 Fair Lakes Circle, Suite 500 Fairfax, Virginia 22033 USA	Delaware, United States of America	Information systems, information technology, consulting
Stanley, Inc. 2711 Centerville Road, Suite 400 Wilmington, Delaware 19808 USA	Delaware, United States of America	Information systems, information technology, consulting
Stanley Associates, Inc. 1090 Vermont Avenue NW Washington, D.C. 20005 USA	Washington D.C., United States of America	Information systems, information technology, consulting
CGI Information Systems and Management Consultants Inc. 125 Commerce Valley Drive West Markham, Ontario Canada L3T 7W4	Canada	Information systems, information technology, consulting
3955338 Canada Inc. 1350 René-Lévesque Blvd. West, 25th Floor Montreal, Quebec Canada H3G 1T4	Canada	Holding company
CGI Group Holdings Europe Limited Broadlands House, Primett Road Stevenage SG1 3EE United Kingdom	United Kingdom	Holding company
Logica Limited (formerly Logica plc) 250 Brook Drive, Green Park Reading RG2 6UA United Kingdom	United Kingdom	Holding company
Logica Group Holdings Limited 250 Brook Drive, Green Park Reading RG2 6UA United Kingdom	United Kingdom	Holding company
LogicaCMG Corporate Holdings Limited 250 Brook Drive, Green Park Reading RG2 6UA United Kingdom	United Kingdom	Holding company

Principal Affiliates and Addresses	Location of Incorporation	Principal Business
LogicaCMG (Software) Limited 250 Brook Drive, Green Park Reading RG2 6UA United Kingdom	United Kingdom	Holding company

PART 4: PASSPORTING COUNTRIES AND REGULATORS

Following is a table detailing the regulators in each country to which this prospectus will be passported.

Country	Name of Regulator	Address of Regulator
Belgium	Autorité des services et marchés financiers	Rue du Congrès, 12-14 1000 Bruxelles
Czech Republic	Czech Securities Commission	Washingtonova 7 P.O.Box 208 111 21 Prague
Denmark	Finanstilsynet	GI, Kongevej 74A 1850 Frederiksberg C
Estonia	Finantsinspektsioon	Sakala 4, Tallinn 15030 Estonia
Finland	Rahoitustarkastus	Snellmaninkatu 6, 00101 Helsinki
France	Autorité des marchés financiers	17, place de la Bourse 75082 Paris Cedex 2
Germany	Bundesanstalt für Finanzdienstleistungsaufsicht	Securities Supervision Lurgiallee 12 D-60 439 Frankfurt OR PO Box 50 01 54 D-60391 Frankfurt
Hungary	Hungarian Financial Supervisory Authority	H-1013 Budapest, Krisztina krt. 39 OR H-1534 Budapest BKKP Postafiók: 777
Luxembourg	Commission de Surveillance du Secteur Financier	110, route d'Arlon L-1150 Luxembourg OR L-2991 Luxembourg
Netherlands	Autoriteit Financiële Markten (AFM)	P.O.Box 11723 – 1001 GS Amsterdam
Norway	Kredittilsynet	Revierstredet 3, P.O. Box 1187 Sentrum NO-0107 Oslo
Poland	Polish Financial Supervision Authority (PFSA)	Komisja Nadzoru Finansowego, Plac Powstańców Warszawy 1, skr. poczt. 419, 00-950 Warszawa
Portugal	Comissão do Mercado de Valores Mobiliários	Rua Laura Alves, 4 1050-138 Lisbon
Slovak Republic	National Bank of Slovakia	Národná banka Slovenska Imricha Karvaša 1 813 25 Bratislava
Spain	Comisión Nacional del Mercado de Valores	Edison, 4 28006 Madrid
Sweden	Finansinspektionen	Box 6750, SE-113 85 Stockholm

Eligible employees in these EEA member states will not be able to take up Class A Shares under the Share Purchase Plan until: (i) this prospectus has been passported pursuant to Article 17 of the Prospectus Directive and (ii) the Share Purchase Plan has been implemented in the relevant EEA member state.

PART 5: SHARE PURCHASE PLAN

CGI GROUP INC.

SHARE PURCHASE PLAN FOR CERTAIN EMPLOYEES OF CGI GROUP INC. AND ITS SUBSIDIARIES

1. Purpose of the Plan

CGI Group Inc. (“**Company**”) has established a Share Purchase Plan for Certain Employees of CGI Group Inc. and its Subsidiaries to enable Participants (as defined below) to purchase in the open market Class A Subordinate Shares in the share capital of the Company, such Shares to be purchased on behalf of the Participants by the Trustee (as defined below) with contributions made to the Trustee by the Participants and with contributions made by the Company. The Trustee shall hold the Shares so purchased for the account of the Participants.

2. Definitions

In this Plan and the forms which form an integral part hereof, unless the context otherwise requires:

- 2.1 “**Canadian Participant**” means an Employee eligible to the Plan, employed in Canada by the Company or by a Subsidiary, who has duly joined the Plan while actively at work and has not withdrawn therefrom;
- 2.2 “**Company**” has the meaning given in the first paragraph hereof;
- 2.3 “**Deposit and Trust Agreement**” means the agreement, as amended from time to time, referred to in Section 8.1;
- 2.4 “**Employee**” means an employee of the Company or a Subsidiary occupying a full or part-time position and whose employment relationship with the Company or a Subsidiary is not limited in time by a specific termination date or the occurrence of a specific termination event;
- 2.5 “**Group RRSP**” has the meaning given in section 7.2;
- 2.6 “**Group TFSA**” has the meaning given in section 7.2;
- 2.7 “**International Participant**” means an Employee eligible to the Plan, employed by the Company or a Subsidiary in any country other than Canada and the United States, who has duly joined the Plan while actively at work and has not withdrawn therefrom;
- 2.8 “**Last Working Day**” means the Employee’s or Participant’s last day of work for the Company or a Subsidiary, excluding any period representing pay in lieu of notice, severance pay, gratuitous payment or any other indemnity, amount or notice whatsoever on account of termination of employment.
- 2.9 “**Notice of Amendment**” means the notice referred to in Section 4.2;
- 2.10 “**Notice of Participation**” means the notice referred to in Section 3.2;
- 2.11 “**Notice of Termination**” means the notice referred to in Section 6.5;
- 2.12 “**Notice of Withdrawal**” means the notice referred to in Section 6.2;
- 2.13 “**Participant**” means a Canadian, U. S. or International Participant;
- 2.14 “**Participant Basic Contribution**” has the meaning given in Section 4.1.

- 2.15 **“Participant Contribution Percentage”** has the meaning given in Section 4.1;
- 2.16 **“Plan”** means the Share Purchase Plan for Certain Employees of CGI Group Inc. and its Subsidiaries as established herein and as it may be amended from time to time;
- 2.17 **“Registered Plan”** has the meaning given in section 7.2;
- 2.18 **“Remuneration”** means the annual gross salary of the Participant paid by the Company or a Subsidiary, effective on the date on which the Participant joins the Plan or on a subsequent date in the cases contemplated in Section 4.2, but excluding all other benefits;
- 2.19 **“RRSP”** has the meaning given in section 7.2;
- 2.20 **“Share”** means a Class A Subordinate Share in the share capital of the Company, as it exists at the date hereof or as it may be modified, and any share into which such Share may be converted or against which it may be exchanged;
- 2.21 **“Share Market Price”** at any date means (i) the last closing price prior to such date of the Shares traded on the Toronto Stock Exchange for Canadian Participants and on the New York Stock Exchange for U.S. and International Participants, or (ii) if there is no closing price during the 5 trading days prior to such date, the mean between the bid and ask quotations on that date;
- 2.22 **“Subsidiary”** means any corporation of which 90% or more of its voting shares are held directly or indirectly by the Company;
- 2.23 **“TFSA”** has the meaning given in section 7.2;
- 2.24 **“Trustee”** means Sun Life Financial Trust Inc. or its successors appointed by the Company as trustee pursuant to this Plan and the Deposit and Trust Agreement; and
- 2.25 **“U.S. Participant”** means an Employee eligible to the Plan, employed in the United States by the Company or by a Subsidiary, who has duly joined the Plan while actively at work and has not withdrawn therefrom.

3. Eligibility and Participation

3.1 Eligibility

Any Employee who is actively at work at the time of enrolment is eligible to participate in the Plan. An Employee ceases to be eligible to participate in the Plan on his or her Last Working Day.

3.2 Participation

The eligible Employee shall, to become a Participant, forward a notice of participation (“Notice of Participation”) to the Secretary of the Company by filling out the appropriate form. The signature of the Participant on the appropriate form for the administration of the Plan evidences that the Participant accepts irrevocably the terms and conditions of the Plan.

3.3 Participation Date

The participation of the Employee in the Plan commences as of the first day of the next pay period of the Employee immediately following receipt by the Company of the Notice of Participation.

4. Contributions

4.1 Participant Basic Contribution

The Participant contributes to the Plan through deductions at source, withheld from the Participant’s net salary, made on each pay and computed based on a percentage of the Participant’s Remuneration (“Participant Basic Contribution”). The Participant Basic

Contributions shall be remitted at each pay period of the Participant by the Company to the Trustee.

The maximum percentage of the Participant's Remuneration for the purposes of calculating the Participant's Basic Contribution ("Participant Contribution Percentage") shall be determined from time to time by either the *Founder and Executive Chairman of the Board* or the *President and Chief Executive Officer* and may vary by position and by business unit as well as over time, as either the *Founder and Executive Chairman of the Board* or the *President and Chief Executive Officer* may in his discretion determine, provided that the Contribution Percentage shall not exceed three and one-half percent (3.5%).

The Participant shall state on the Notice of Participation only the Contribution Percentage determined in accordance with the preceding paragraph.

4.2 Amendment of the Participant's Basic Contribution

A Participant who is actively at work may increase or decrease the Participant Contribution Percentage in compliance with the provisions of Section 4.1 at any time. In that respect, the Participant shall give a Notice of Amendment to the Company by filling out the appropriate form. Such modification shall come into effect as of the first day of the next pay period of the Participant following receipt of the appropriate form by the payroll department of the Company or relevant Subsidiary. Upon a review of Remuneration, the Participant Contribution Percentage will be automatically computed based on the revised Remuneration. Such modification shall come into effect as of the first day of the next pay period of the Participant following the receipt of the notice stipulating the salary changes by the payroll department. However, this modification does not apply on the sums paid retroactively.

4.3 Company's Contributions

The Company contributes to the Plan for the account of each Participant an amount equal to a percentage of the Participant Basic Contribution (excluding the additional contributions provided for below). The percentage of the Participant Basic Contribution that the Company is required to pay shall be determined from time to time by either the *Founder and Executive Chairman of the Board* or the *President and Chief Executive Officer*, provided that the Company's contribution shall not exceed 100% of the aggregate amount contributed to the Plan by each Participant as Participant Basic Contribution. The percentage that the Company contributes may vary by position and by business unit as well as over time, as either the *Founder and Executive Chairman of the Board* or the *President and Chief Executive Officer* may in his discretion determine.

4.4 Payment of the Company's Contributions

The Company shall pay in advance to the Trustee on the first business day of each month an amount equal to the Company's contributions contemplated in Section 4.3 computed for the calendar month preceding such payment. At the end of each month, the Trustee shall determine, for such month, the amount of the Company's contributions which should have been paid according to the aggregate amount of contributions paid by the Participants during such month and in the event an excess amount was paid by the Company through a monthly instalment, the Trustee shall deduct such excess amount from the instalment to be made by the Company at the following month.

Notwithstanding the foregoing, the Company may pay to the Trustee the Company's contributions contemplated in Section 4.3 at the time the Company pays the Participant Basic Contribution contemplated in Section 4.1.

4.5 Additional Contributions

A Participant may make additional contributions to the Plan in excess of the Participant Basic Contribution ranging between 0.5% and 10% of his or her base salary, and this, by increments of 0.5% without taking into account the rate of participation provided hereinabove, in accordance with the same terms and conditions provided hereinabove. However, the Company

will not match contributions in the case of such additional contributions by the Participant. A Participant wishing to make additional contributions shall fill out the appropriate form.

4.6 Reports

The Trustee will issue, through its website, to each Participant, on or before November 1, February 1, May 1 and August 1 of each year (or on any other date to be determined by the Company and the Trustee), an electronic report showing, as of September 30, December 31, March 31 and June 30 preceding, the number of Shares held by the Trustee for the account of each Participant on such dates and stating also the number of Shares corresponding to the additional contributions of the Participant.

If a Participant wishes to obtain all quarterly statements in a hard copy format, a request may be addressed to the Trustee.

5. **Share Purchase by the Trustee and Additional Company's Contributions**

5.1 The Trustee shall, upon receipt of contributions pursuant to Section 4, purchase Shares on the secondary market through an exchange on which the Shares are listed, being the Toronto Stock Exchange for Canadian Participants and the New York Stock Exchange for US and International Participants. The Trustee shall execute buying orders on receipt of the contributions, at the market price on the purchase date and, if possible, in board lots. The Shares purchased by the Trustee out of the contributions made by Participants and the Company shall be attributed to the account of the Participants in accordance with the contributions made pursuant to Section 4. The Shares purchased by the Trustee out of the contributions made by the Participants and the Company shall be held by the Trustee for the account of the Participants.

5.2 The Company may, in addition to the contributions provided in Section 4.3, pay to the Trustee, at its discretion, any amount as additional contribution to the Plan and the Trustee shall purchase Shares on the secondary market through an exchange on which the Shares are listed in accordance with the instructions of the Company. The allocation of such Shares shall be made in accordance with Section 5.1.

6. **Withdrawal, Suspension or Termination**

6.1 Election of the Participant

In the cases contemplated in Sections 6.2, 6.3, and 6.5, the Participant may elect, on the relevant form, to receive the Shares held by the Trustee for the account of the Participant in lieu of the cash payment. In such case, the Trustee shall deliver to the Participant as soon as possible a direct registration statement representing such Shares registered in the name of the Participant. However, a direct registration statement can only be issued if it represents a minimum of 100 Shares.

6.2 Full or Partial Withdrawal

A Participant may at any time withdraw, partially or in full, the Shares that the Trustee holds for the Participant's account by giving a Notice of Withdrawal to the Company and to the Trustee in the manner specified by the Trustee from time to time. Upon receipt of the Notice of Withdrawal, the Trustee shall sell the Shares held for the account of the Participant in the open market through an exchange on which the Shares are listed and shall pay to the Participant an amount in cash equal to the proceeds of such sale, less brokerage fees together with, in the case of a complete withdrawal, every other property held by the Trustee pursuant to the Plan for the account of the Participant. However, the Participant may make the election referred to in Section 6.1, by giving notice to the Company and to the Trustee.

6.3 Withdrawal upon Termination of Employment

If the employment of a Participant terminates for any reason whatsoever and the Participant does not notify the Company and the Trustee of his (her) choice in the manner described below (immediately after his (her) last contribution has been processed), the Trustee shall, upon receipt of a notice of termination of employment from the Company, issue a direct

registration statement for the Shares held by the Trustee for the account of the Participant or will sell the Shares held by the Trustee for the account of the Participant if it represents less than 100 shares, on receipt of the notice of termination, on the secondary market through an exchange on which the Shares are listed and shall pay to the Participant an amount in cash equal to the proceeds of such sale, less brokerage fees, together with any other property held by the Trustee pursuant to the Plan for the account of the Participant. However, the Participant may make the election referred to in Section 6.1 by giving a notice to the Company and to the Trustee immediately after his (her) last contribution has been attributed to the account of the Participant.

For the purposes of this Section 6.3 and for any other purposes hereof, the date of termination of employment means the Participant's Last Working Day.

6.4 Suspension of Participation to the Plan

In the event that a Participant is absent from work for any period of time and for any reason and that the Participant receives no salary from the Company or a Subsidiary during such absence, the Participant's participation in the Plan shall be automatically suspended until the Participant returns to work or until the Participant elects, pursuant to Sections 6.5, to terminate his or her participation in the Plan.

6.5 Termination of Participation to the Plan at the Participant's Discretion

A Participant may at any time terminate his or her participation in the Plan by giving a Notice of Termination to the Company and to the Trustee using the appropriate form. The Participant may decide to maintain his Shares in the Plan or withdraw all or part of his Shares, pursuant to Section 6.2.

6.6 Fractional Share

For the purposes of Section 6.1, no fractional Share shall be issued and where a fractional Share should be issued, a cash payment equal to the amount obtained by multiplying the Share Market Price on the date of receipt of the notice referred to in Sections 6.2, 6.3, and 6.5 by the fractional Share shall be paid.

7. **Dividends, Registered Plans and Other Rights**

7.1 Dividends

All cash dividends and other cash distributions received by the Trustee in respect of Shares held by the Trustee for the account of Participants shall be invested by the Trustee pursuant to Section 5.1. The Shares so acquired shall be allocated to the Participants in proportion to their respective interests. Stock dividends received by the Trustee in respect of Shares shall be held by the Trustee for the account of Participants

7.2 Contribution to Registered Plans (for Canadian Participants only)

A Participant may contribute all or part of the Shares held by the Trustee for his (her) account to a registered retirement savings plan (a "RRSP") or a Tax-Free Savings Account ("TFSA") (each hereafter referred to as a "**Registered Plan**"). A Participant may contribute the Shares held by the Trustee for his (her) account to the Company's group RRSP (the "**Group RRSP**") or to the Company's group TFSA ("**Group TFSA**") at the Trustee (or any other entity that may be designated from time to time by the Board of Directors of the Company) or to an individual Registered Plan.

In the event the Participant decides to contribute to a Registered Plan, the Participant may (a) contribute directly to the Group RRSP or the Group TFSA by filling out the appropriate form or (b) contribute outside the Group RRSP or Group TFSA and transfer the Shares to the Group RRSP or Group TFSA by filling out the appropriate form.

In the event the Participant decides to contribute to a personal Registered Plan, the Participant shall make a withdrawal in accordance with Section 6.2 and shall withdraw from the Plan the

Shares he wants to contribute to his personal Registered Plan by filling out the appropriate form.

The Participant remains responsible for the calculation of his (her) maximum annual contribution to a Registered Plan provided under the terms of the Income Tax Act (Canada) and the Taxation Act (Quebec).

7.3 Other Rights

Forthwith after receipt of a notice of meeting of the holders of Shares, the Trustee shall send to each Participant for whose benefit the Trustee is holding Shares a copy of any such notice of meeting and any financial statement, proxy management circular, proxy or other material to be used in connection with the meeting.

8. **General Provisions**

8.1 Deposit and Trust Agreement

The Company and the Trustee must enter into a Deposit and Trust Agreement with respect to the administration of the Plan. Such Deposit and Trust Agreement forms part of the Plan and the rights of the Participants in respect of the Plan are subject to such agreement.

8.2 Trustee

The appointment of the Trustee shall be made by the Board of Directors of the Company.

8.3 Administration of the Plan

The Board of Directors of the Company or any committee appointed by the Board of Directors has full power and authority with respect to the interpretation of the Plan and to the ratification of rules, terms and other measures it may deem necessary for the management of the Plan.

8.4 Amendment, Suspension and Termination of the Plan

The Board of Directors of the Company or any committee appointed by the Board of Directors may at any time amend, suspend or terminate the Plan; however, no modification, suspension or termination of the Plan may affect any vested right that a Participant may have in respect of the Shares subject to the Plan or of the Plan until the date of amendment, suspension or termination of the Plan.

In the event of termination of the Plan, the Trustee shall remit, as soon as possible, to each Participant a certificate or direct registration statement registered in the name of the Participant representing the Shares held by the Trustee for the account of such Participant together with any other property held by the Trustee pursuant to the Plan for the account of Participants.

8.5 Limitation of Participants' Rights

Participation to the Plan only entitles the Participant to the benefits provided for in the Plan and only to the extent that the assets are remitted to the Trustee, and does not confer upon any Participant the right to be Employee or to remain an Employee of the Company or any of its Subsidiaries.

The Board of Directors of the Company or any committee appointed by it has full discretionary authority to set, adjust, modify, suspend or cancel the Participant's and Company's contributions to the Plan, and nothing in this Plan shall create in favour of the Participants any vested, demandable or enforceable right to make and receive contributions for the purchase of Shares except in respect of those due as at the date of any modification, adjustment, suspension or termination of the Plan.

The Plan and Participant's participation in the Plan does not generate any acquired rights, is subject to the rules and criteria as may be determined by the Company from time to time and

does not constitute an express or implied term of nor in any manner form part of the Participant's employment contract with Company or any of its Subsidiaries.

8.6 Transfer of Personal Data

By requesting to participate in the Plan and for the purposes of such participation, the Participant consents to the transfer by the Company or any of its Subsidiaries of the Participant's personal data to the Trustee in Canada or such other location where the Trustee is situated or operates and further consents to the storage and processing of his or personal data in Canada or such other location.

8.7 Tax Consequences

The Participant is fully responsible for the compliance with the applicable tax legislation. Neither the Company nor any of its Subsidiaries can be held responsible for any failure in that respect on the part of the Participant.

8.8 Fees and Expenses

All fees relating to the Plan (including the brokerage fees attached to the purchase of Shares) are, subject to Section 8.8, to be borne by the Company, except for (i) brokerage fees attached to the sale of Shares, (ii) the issuance of duplicate quarterly statements, and (iii) where applicable, RRSP contribution receipts covering a period exceeding 12 months from the request, which are at the charge of the Participant.

The Company reserves the right to re-charge to the Participant additional administrative fees incurred for the account of the Participant.

8.9 Interests

The interests accruing on contributions provided for in Section 4 shall be paid to the Company to be used for the payment of expenses relating to the Plan.

8.10 Country-Specific Terms and Conditions

Schedule "A" attached hereto contains additional country-specific terms and conditions that are incorporated by reference in respect of Participants residing in such countries.

8.11 Governing Laws

This Plan shall be governed by and construed in accordance with the laws of the Province of Quebec.

8.12 No Assignment

The interest of a Participant under the Plan may not be transferred, assigned nor pledged by the Participant.

8.13 Headings and Sub-Headings

The headings and sub-headings appearing herein are stated for convenience purposes to facilitate the consultation of the Plan.

8.14 Language

The French language version of the Plan shall prevail over the English language version in case of discrepancies between such two versions.

8.15 Interpretation

In the event of differences, discrepancies or contradictions between the provisions of the Plan and those of the Deposit and Trust Agreement, the provisions of the Plan shall prevail on those of the Deposit and Trust Agreement.

January 1, 2013

SCHEDULE “A”

Country-Specific Terms and Conditions

India

THIS DOCUMENT IS NEITHER A PROSPECTUS NOR A STATEMENT IN LIEU OF PROSPECTUS. IT DOES NOT CONSTITUTE AN OFFER OR AN INVITATION TO SUBSCRIBE TO THE SECURITIES ISSUED BY THE COMPANY. ACCORDINGLY, THIS DOCUMENT HAS NEITHER BEEN DELIVERED FOR REGISTRATION NOR IS IT INTENDED TO BE REGISTERED WITH ANY REGULATORY AUTHORITIES IN INDIA.

THIS DOCUMENT IS NOT INTENDED FOR DISTRIBUTION AND IS MEANT SOLELY FOR THE CONSIDERATION OF THE PERSON TO WHOM IT IS ADDRESSED AND SHOULD NOT BE REPRODUCED BY THE RECIPIENT.

United Arab Emirates

THIS MATERIAL IS GIVEN TO YOU FOR INFORMATION ONLY, ON A CONFIDENTIAL BASIS AND DOES NOT CONSTITUTE AN OFFER TO ACQUIRE OR SUBSCRIBE FOR ANY INVESTMENT OR SECURITY AND DOES NOT SEEK TO SOLICIT FROM YOU AN EXPRESSION OF INTEREST REGARDING ITS CONTENTS. TO THE EXTENT THAT THERE MIGHT BE AN OPPORTUNITY AT A LATER STAGE TO MAKE AN INVESTMENT IN THIS SCHEME OR VARIANT OF IT, THEN SUCH OPPORTUNITY WILL ONLY BE AFFORDED IF, AND IN THE MANNER, PERMITTED BY LAW IN THE UNITED ARAB EMIRATES.

PART 6: GROUP HISTORICAL FINANCIAL INFORMATION AND PROXY STATEMENT

This Part 6 contains a reproduction in its entirety of:

- (1) Notice of Annual General Meeting of Shareholders and Management Proxy Circular relating to the Annual General Meeting of Shareholders held on 30 January 2013 (**Proxy Statement**);
- (2) Annual Report on Form 40-F for the year ended 30 September 2010 (**Form 40-F 2010**);
- (3) Form 40-F/A amending the Form 40-F 2010 (**Form 40-F/A 2010**);
- (4) Annual Report on Form 40-F for the year ended 30 September 2011 (**Form 40-F 2011**);
- (5) Annual Report on Form 40-F for the year ended 30 September 2012 (**Form 40-F 2012**);
- (6) Interim financial information on Form 6-K for the fiscal quarter ended 31 December 2012 (the **Form 6-K**);
- (7) Review report prepared by Ernst & Young LLP in connection with the interim financial information on Form 6-K (the **Form 6-K Review Report**); and
- (8) Unaudited consolidated financial statements of Logica for the six month period ended 30 June 2012 (the **Logica Pre-Acquisition Financial Information**).

Ernst & Young LLP of 800 boul Rene-Levesque West, Suite 1900, Montréal, QC, H3B 1X9, Canada has acted as CGI's independent registered public accounting firm to audit the consolidated financial statements of the Group for the years ended 30 September 2012, 2011 and 2010 contained in this Part 6.

Ernst & Young LLP has reviewed the condensed interim financial statements, consisting of the condensed consolidated balance sheets as at December 31, 2012 and September 30, 2012 and the condensed consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the three-month periods ended December 31, 2012 and 2011 on the Form 6-K contained in this Part 6 in accordance with Canadian generally accepted standards and the standards of the PCAOB for a review of interim financial statements by an entity's auditor.

The table below indicates where information required by the Prospectus Rules to be disclosed in this prospectus can be found in this Part 6.

Information required by the Prospectus Directive	Location in Part 6
Persons Responsible	
All persons responsible for the information given in the prospectus (<i>Annex 1, Section 1.1 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-565-566
Selected Financial Information	
Selected historical financial information regarding the issuer (<i>Annex 1, Section 3.1 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-188, F-444, F-786 and F-844
Selected financial information for interim periods and comparative data from the same period in the prior financial year (<i>Annex 1, Section 3.2 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-844
Information about the Issuer	
The issuer's address and telephone number (or principal place of business if different from its registered office) (<i>Annex 1, Section 5.1.4 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-554
Important events in the development of the issuer's	Section 2, p. F-568-586

Information required by the Prospectus Directive	Location in Part 6
business (<i>Annex 1, Section 5.1.5 of Appendix 3 of the Prospectus Rules</i>)	
Principal Investments (<i>Annex 1, Section 5.2.1 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-18-23, F-270, F-312-325, F-533-535, F-573-586, F-741-743, F-842 and F-845
Principal Investments in progress (<i>Annex 1, Section 5.2.2 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-574-576, F-741-742 and F-845
Business Overview	
The issuer's principal activities (<i>Annex 1, Section 6.1.1 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-14-18, F-183, F-244, F-307-310, F-440, F-509, F-568-571, F-709, F-782, F-841 and F-880
New products and services (<i>Annex 1, Section 6.1.2 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-571-586
The issuer's principal markets (<i>Annex 1, Section 6.2 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-189-193, F-275-277, F-446-454, F-538-540, F-745-747, F-788-795, F-846-853 and F-886-887
The basis for any statements made by the issuer regarding its competitive position (<i>Annex 1, Section 6.5 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-572-573 and F-842
Property, Plants and Equipment	
Existing or planned material tangible fixed assets and encumbrances thereon (<i>Annex 1, Section 8.1 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-570 and F-723
Operating and Financial Review	
Analysis of the issuer's financial condition and results of operations (<i>Annex 1, Section 9.1 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-181-227, F-435-495, F-777-824 and F-836-873
Reasons for material changes in net sales or revenue (<i>Annex 1, Section 9.2.2 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-193-194, F-452-454, F-791-793 and F-849-851
Capital Resources	
The issuer's capital resources (<i>Annex 1, Section 10.1 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-722, F-760-761, F-763, F-800, F-804, F-857-858, F-860 and F-880
The issuer's cashflows (<i>Annex 1, Section 10.2 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-708, F-722, F-760-761, F-763, F-799, F-857 and F-880
The issuer's borrowings (<i>Annex 1, Section 10.3 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-722, F-760-761, F-763, F-799-802 and F-857-859
The issuer's restrictions on use of capital resources (<i>Annex 1, Section 10.4 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-722, F-760-761, F-763, F-800-801 and F-857-859
Trend information	
Recent trends in production, sales and inventory, and costs and selling prices (<i>Annex 1, Section 12.1 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-784, F-788-804, F-842 and F-846-860
Current trends, uncertainties, demands, commitments or events likely to affect the issuer's prospects (<i>Annex 1, Section 12.2 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-572, F-784, F-788-804, F-842 and F-846-860
Administrative, Management, and Supervisory Bodies and Senior Management	
Names and details of senior management and persons	Section 1, p. M-16-23 and Section 2, p. F-

Information required by the Prospectus Directive	Location in Part 6
in administrative, supervisory or management positions (<i>Annex 1, Section 14.1 of Appendix 3 of the Prospectus Rules</i>)	565-566
Remuneration paid and benefits in kind in relation to the last full financial year for those senior management and persons in administrative, supervisory or management positions (<i>Annex 1, Section 15.1 of Appendix 3 of the Prospectus Rules</i>)	Section 1, p. M-24-46
Amounts reserved for provision of pensions, retirement and similar benefits (<i>Annex 1, Section 15.2 of Appendix 3 of the Prospectus Rules</i>)	Section 1, p. M-27, M-34 and M-38
The period of and date of expiration of current term of office for members of the board and senior management (<i>Annex 1, Section 16.1 of Appendix 3 of the Prospectus Rules</i>)	Section 1, p. M-14 and M-16-23
Service contract provisions for benefits upon termination of employment (<i>Annex 1, Section 16.2 of Appendix 3 of the Prospectus Rules</i>)	Section 1, p. M-39
The issuer's audit committee and remuneration committee (<i>Annex 1, Section 16.3 of Appendix 3 of the Prospectus Rules</i>)	Section 1, p. M-24-45, M-47-48 and M-59-62 and Section 2, p. F-630-644
Employees	
The number of employees: (i) for the fiscal years ended 30 September 2012, 30 September 2011 and 30 September 2010 and (ii) up to the date of the prospectus (<i>Annex 1, Section 17.1 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-15, F-309 and F-569
Share and share option ownership of senior management and persons in administrative, supervisory or management positions (<i>Annex 1, Section 17.2 of Appendix 3 of the Prospectus Rules</i>)	Section 1, p. M-16-23, M-52-53 and M-63-74
Arrangements for employee involvement in the issuer's capital (<i>Annex 1, Section 17.3 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-569, F-605, F-804 and F-861
Related party transactions (<i>Annex 1, Section 19 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-277, F-541 and F-748-749
Financial Information Concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses	
Audited historical financial information and audit reports for the fiscal years ended 30 September 2012, 30 September 2011 and 30 September 2010	Section 2, p. F-238-290, F-497-551 and F-698-776
Balance Sheet	Section 2, p. F-242, F-507 and F-706
Income Statement	Section 2, p. F-241, F-506 and F-704
A statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners	Section 2, p. F-261, F-526, F-707 and F-732
Cash flow statement	Section 2, p. F-243, F-508 and F-708
Accounting policies and explanatory notes (<i>Annex 1, Section 20.1 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-244-290, F-509-551 and F-709-776
Confirmation that the consolidated annual financial statements are included in the prospectus (<i>Annex 1,</i>	Section 2, p. F-246, F-497, F-511, F-698 and

Information required by the Prospectus Directive	Location in Part 6
<i>Section 20.3 of Appendix 3 of the Prospectus Rules)</i>	F-709
Statement that the historical financial information has been audited and details of qualifications and disclaimers (<i>Annex 1, Section 20.4.1 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-238, F-239, F-500 and F-701
Age of financial information (<i>Annex 1, Section 20.5.1 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-698
Unaudited interim financial data (<i>Annex 1, Section 20.4.3 and 20.6.1 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-874-887 and F-888
Legal and arbitration proceedings (<i>Annex 1, Section 20.8 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-824 and F-873
Additional Information	
Share Capital	
Convertible securities, exchangeable securities and securities with warrants (<i>Annex 1, Section 21.1.4 of Appendix 3 of the Prospectus Rules</i>)	Section 1, p. M-11 and Section 2, p. F-732
Acquisition rights and obligations over authorised but unissued capital or an undertaking to increase capital (<i>Annex 1, Section 21.1.5 of Appendix 3 of the Prospectus Rules</i>)	Section 1, p. M-16-23, M-31-34, M-38, M-39, M-41 and M-43-46 and Section 2, p. F-717, F-733-734 and F-882-883
Share options (<i>Annex 1, Section 21.1.6 of Appendix 3 of the Prospectus Rules</i>)	Section 1, p. M-16-23, M-31-34, M-38, M-39, M-41, M-43-46, M-52-53 and M-63-74 and Section 2, p. F-717, F-733-734 and F-882-883
History of share capital (<i>Annex 1, Section 21.1.7 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-11, F-157, F-304, F-526, F-564 and F-732
Information on Holdings	
Undertakings in which the issuer owns capital (<i>Annex 1, Section 25 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-574, F-583, F-741-743, F-784 and F-842
Persons Responsible	
All persons responsible for the information given in the prospectus (<i>Annex 3, Section 1.1 of Appendix 3 of the Prospectus Rules</i>)	Section 2, p. F-565-566

SECTION 1: PROXY STATEMENT



Notice of Annual General Meeting

**To be held in Montreal, Quebec, Canada
on Wednesday, January 30, 2013
at 11:00 a.m.**

at the

**Omni Mont-Royal Hotel
Salon Les Saisons
1050 Sherbrooke Street West
Montreal, Quebec
Canada**

Record Date: Monday, December 10, 2012

**Proxy cut-off date and time:
11:00 a.m. Montreal Time on Tuesday, January 29, 2013**

Letter to Shareholders & MANAGEMENT PROXY CIRCULAR Dated December 10, 2012

These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, the issuer (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

TABLE OF CONTENTS

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS	iii
<i>Record Date to Determine Shareholders Eligible to Vote and Attend the Meeting</i>	<i>iii</i>
LETTER TO SHAREHOLDERS.....	iv
<i>Annual General Meeting and Proxy Voting</i>	<i>v</i>
MANAGEMENT PROXY CIRCULAR.....	1
PROXIES	1
<i>Solicitation of Proxies</i>	<i>1</i>
<i>Appointment and Revocation of Proxies.....</i>	<i>1</i>
<i>Record Date.....</i>	<i>1</i>
<i>Voting by Registered Shareholders.....</i>	<i>2</i>
<i>Voting by Non-Registered Shareholders</i>	<i>2</i>
VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SHARES.....	2
<i>Class A Subordinate Voting Shares and Class B Shares</i>	<i>2</i>
<i>First Preferred Shares</i>	<i>5</i>
<i>Second Preferred Shares.....</i>	<i>5</i>
<i>Principal Holders of Class A Subordinate Voting Shares and Class B Shares.....</i>	<i>5</i>
BUSINESS TO BE TRANSACTED AT THE MEETING.....	6
NOMINEES FOR ELECTION AS DIRECTORS.....	8
COMMITTEE REPORTS	16
REPORT OF THE HUMAN RESOURCES COMMITTEE	16
Executive Compensation Discussion and Analysis	16
<i>Executive Compensation Policy.....</i>	<i>16</i>
<i>The Human Resources Committee of the Board of Directors</i>	<i>16</i>
<i>Executive Compensation Related Fees.....</i>	<i>18</i>
<i>Compensation Policy and Process for the 2012 Fiscal Year.....</i>	<i>18</i>
<i>Composition of Reference Groups</i>	<i>18</i>
<i>Executive Compensation Components.....</i>	<i>19</i>
<i>Compensation Awarded to the Named Executive Officers in Fiscal 2012.....</i>	<i>27</i>
<i>Performance Graph</i>	<i>27</i>
<i>Compensation of Named Executive Officers.....</i>	<i>29</i>
<i>Net Total Compensation Table.....</i>	<i>29</i>
<i>Summary Compensation Table.....</i>	<i>30</i>

Key Features of CGI's Long Term Incentive Plans	31
<i>Share Option Plan.....</i>	<i>31</i>
<i>Equity Compensation Plan Information as of September 30, 2012</i>	<i>33</i>
<i>Performance Share Unit Plan.....</i>	<i>34</i>
COMPENSATION OF DIRECTORS	35
<i>Board of Directors and Standing Committee Fees.....</i>	<i>35</i>
<i>Directors' Compensation Table.....</i>	<i>36</i>
<i>Stock Options and Deferred Stock Units Granted to Directors.....</i>	<i>36</i>
<i>Stock options Held by Directors</i>	<i>37</i>
INDEBTEDNESS OF DIRECTORS AND NAMED EXECUTIVE OFFICERS	38
REPORT OF THE CORPORATE GOVERNANCE COMMITTEE	39
<i>Corporate Governance Practices.....</i>	<i>39</i>
<i>CGI's Shareholders.....</i>	<i>39</i>
<i>Mandate, Structure and Composition of the CGI Board of Directors.....</i>	<i>39</i>
<i>Role and Responsibilities of the Executive Chairman and of the CEO.....</i>	<i>40</i>
<i>Role and Responsibilities of the Lead Director and Standing Committee Chairs.....</i>	<i>41</i>
<i>Criteria for Tenure on the CGI Board of Directors.....</i>	<i>42</i>
<i>Nomination Process for the Board of Directors.....</i>	<i>47</i>
<i>Board of Directors Participation in Strategic Planning</i>	<i>48</i>
<i>Guidelines on Disclosure of Information</i>	<i>48</i>
<i>Directors' Compensation</i>	<i>49</i>
<i>Codes of Ethics and Business Conduct.....</i>	<i>49</i>
<i>Relationship with Shareholders and Decisions Requiring their Consent</i>	<i>50</i>
REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE	51
<i>External Auditors' Independence</i>	<i>51</i>
<i>Auditor Independence Policy.....</i>	<i>52</i>
<i>Fees Billed by the External Auditors.....</i>	<i>53</i>
<i>Related Party Transactions.....</i>	<i>53</i>
OTHER BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING	54
ADDITIONAL INFORMATION	54
APPROVAL BY THE DIRECTORS	54
APPENDIX A	55
<i>Stock Options and Share-Based Awards Held by Named Executive Officers.....</i>	<i>55</i>
APPENDIX B	58
<i>Stock Options and Share-Based Awards Held by Outside Directors</i>	<i>58</i>

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Montreal, Quebec, December 10, 2012

Notice is hereby given that an Annual General Meeting of Shareholders (the "Meeting") of CGI GROUP INC. ("CGI" or the "Company") will be held at the Omni Mont-Royal Hotel in the Salon Les Saisons, 1050 Sherbrooke Street West, in Montreal, Quebec, Canada, on Wednesday, January 30, 2013, at 11:00 a.m. (Montreal time) for the following purposes:

- 1) to receive the report of the directors, together with the consolidated balance sheet and statements of earnings, comprehensive income, retained earnings and cash flows, and the auditors' report for the fiscal year ended September 30, 2012;
- 2) to elect directors;
- 3) to appoint auditors and authorize the Audit and Risk Management Committee to fix their remuneration; and
- 4) to transact such other business as may properly come before the Meeting or any adjournment thereof.

The Meeting will be broadcast live on the Company's web site at www.cgi.com. The webcast will also be archived afterwards.

The *Management Proxy Circular* and form of proxy for the Meeting are enclosed with this Notice.

Proxies submitted by mail, phone or internet must be received by Computershare Investor Services Inc. by 11:00 a.m., Montreal time, on Tuesday, January 29, 2013. Alternatively, shareholders who miss the phone and internet proxy return deadline may still submit a paper proxy which must be received by the Corporate Secretary of the Company prior to the Meeting or any adjournment thereof.

By order of the Board of Directors,



André Imbeau
Founder, Vice-Chairman of the Board
and Corporate Secretary

We wish to have as many shares as possible represented and voted at the Meeting, and for this reason, if you are unable to attend the Meeting in person, we would kindly ask you to (i) complete and return the accompanying form of proxy or voting instruction form in the postage prepaid envelope provided for that purpose, (ii) vote by phone, or (iii) vote using the internet. Instructions on how to vote by phone or by using the internet are provided in the Management Proxy Circular that is enclosed with this Notice.

Record Date to Determine Shareholders Eligible to Vote and Attend the Meeting

Only persons shown on the register of shareholders at the close of business on Monday, December 10, 2012, or their proxy holders, will be entitled to attend the Meeting and vote. The register of shareholders is kept by CGI's transfer agent, Computershare Investor Services Inc.

LETTER TO SHAREHOLDERS

Dear fellow shareholders,

Last August, we completed the acquisition of *Logica plc* and welcomed 41,000 new employees (whom we call members) to CGI.

As our member base has now grown to 72,000, one of our key integration priorities is to ensure that the best practices and management tools that we have developed over the years are consistently applied throughout the Company. Our focus on measuring how we are able to create long-term value for our clients, our members and our shareholders, translates into consistent performance, even in the challenging economic times we have witnessed in recent years. We take great pride in having built CGI from the ground up on a solid foundation that stresses the importance of good governance.

Part of that foundation is our unique delivery model that allows us to deliver high quality services to our clients in an effective manner. Our value proposition to our clients is compelling.

Our members have traditionally made up the largest shareholder group in the Company and we are committed to offering our new Logica colleagues the possibility of becoming CGI shareholders. Ownership in the Company is a key part of our success. As owners, all of us at CGI strive for exceptional operational excellence that is the hallmark of our services.

In turn, all our shareholders reap the benefit of owning a customer-focused company whose interests are closely aligned with those of its members.

We regularly measure our three stakeholders' satisfaction levels so that we can continually meet or exceed their expectations, and we strive to maintain a balance among their interests. To ensure that this equilibrium is consistently attained, CGI developed management frameworks aimed at each of our stakeholders.

Our *Management Foundation*, which includes our client, shareholder and member management frameworks, ensures both quality and consistency of execution in all our operations, and this has allowed us to achieve ISO 9001 certification for all our operations. Our well defined processes and performance metrics are the tools we use in our frameworks to achieve our goals. One of our objectives is therefore to extend ISO 9001 certification to all Logica operations by rigorously applying our *Management Foundation*.

We rely on a set of performance indicators comprised of measures related to each of our stakeholders. These performance metrics are applied throughout the Company. Global, local and comparative results are made visible and monitored at all management levels. They are also regularly discussed with members at the business unit level. As our Board members are carefully selected for their operational and financial literacy as well as for their knowledge and experience in managing large operations, they are in a position to analyze these indicators and provide expert advice on how to continuously improve our performance.

The same sharp focus on performance determines the compensation of our management team at all levels. Our performance-based approach links their compensation to the achievement of business objectives. Awards made under the *Profit Participation Plan*, which is our short term incentive program, are contingent upon the achievement of growth and profitability targets at the business unit and at the enterprise level. Grants under the Share Option and Performance Share Unit Plans, which constitute our long-term incentive programs, are made at the beginning of the year and then only vest over time if the same performance targets are met. Stock options and performance share units that do not vest based on the degree of achievement of the performance targets are forfeited.

CGI's foundation is rock solid because we have a robust and stable platform for continued accelerated growth. The scope of our operations, the enduring quality of our governance structures, and our well-defined business processes have been designed for exceptional financial strength and sustainable long term growth.

We encourage you to read our 2012 *Annual Report* and *Management Proxy Circular* in order to become better acquainted with CGI. We are confident that, as you come to know us, you will appreciate the strength of our commitment to our three stakeholders.

Annual General Meeting and Proxy Voting

On behalf of CGI's Board of Directors, management and members, we invite you to attend the Annual General Meeting of Shareholders that will be held at the Omni Mont-Royal Hotel, Salon Les Saisons, 1050 Sherbrooke Street West, Montreal, Quebec, Canada, on Wednesday, January 30, 2013, at 11:00 a.m. (Montreal time).

The items of business are described in the accompanying *Notice of Annual General Meeting and Management Proxy Circular*.

At the meeting, you will have the opportunity to hear CGI's senior leadership discuss the highlights of our performance in 2012. You will also hear about our plans for the future and will have the opportunity to ask any questions you may have about your Company.

We encourage you to exercise the power of your proxy by voting your shares by mail, by phone or by using the internet as outlined in the enclosed Circular, or by presenting your signed proxy in person before the start of the meeting.

Yours sincerely,



Serge Godin
Founder and Executive
Chairman of the Board



Thomas P. d'Aquino
Lead Director

MANAGEMENT PROXY CIRCULAR

This *Management Proxy Circular* is provided in relation to the solicitation of proxies by the management of CGI GROUP INC. (the “Company” or “CGI”) for use at the Annual General Meeting of Shareholders (the “Meeting”) of the Company which will be held on Wednesday, January 30, 2013, and at any adjournment thereof. Unless otherwise indicated, the information provided in this *Management Proxy Circular* that relates to financial information is provided as of September 30, 2012, all other information is provided as of December 10, 2012, and all currency amounts are shown in Canadian dollars.

PROXIES

Solicitation of Proxies

The solicitation of proxies will be made primarily by mail for registered and beneficial shareholders and by e-mail and e-delivery for participants in the Company's Share Purchase Plan. Proxies may also be solicited personally by e-mail or by telephone by members of the Company at minimal cost. The Company does not expect to pay any compensation for the solicitation of proxies, but will pay brokers and other persons holding shares for other reasonable expenses for sending proxy materials to beneficial owners in order to obtain voting instructions. The Company has not retained the services of any third party to solicit proxies. Should it decide to do so, the fees payable to the proxy solicitor are not expected to exceed \$50,000. The Company will bear all expenses in connection with the solicitation of proxies.

The persons whose appointment to act under the accompanying form of proxy solicited by the management of the Company are all directors of the Company.

In order to be voted at the Meeting, a proxy must be received by the Corporate Secretary of the Company prior to the Meeting or any adjournment thereof.

The persons whose names are printed on the enclosed form of proxy will vote all the shares in respect of which they are appointed to act in accordance with the instructions given on the form of proxy. **In the absence of a specified choice in relation to any matter to be voted on at the Meeting, or if more than one choice is indicated, the shares represented by the enclosed form of proxy will be voted FOR the matter in question.**

Every proxy given to any person in the form of proxy that accompanies this *Management Proxy Circular* will confer discretionary authority with respect to amendments or variations to the items of business identified in the Notice of Meeting and with respect to any other matters that may properly come before the Meeting.

Appointment and Revocation of Proxies

Every shareholder has the right to appoint a person to act on his or her behalf at the Meeting other than the persons whose names are printed in the form of proxy that accompanies this Management Proxy Circular. To exercise this right, the shareholder should insert the nominee's name in the space provided for that purpose in the accompanying form of proxy or prepare another proxy in proper form appointing the nominee. The paper form of proxy or internet voting are the only voting options for shareholders who wish to appoint a person as proxy other than the nominees named on the form of proxy.

A proxy may be revoked at any time by the person giving it to the extent that it has not yet been exercised. A proxy may be revoked by filing a written notice with the Corporate Secretary of the Company. The powers of the proxy holders may also be revoked if the shareholder attends the Meeting in person and so requests.

Record Date

Only persons shown on the register of shareholders at the close of business on Monday, December 10, 2012, or their proxy holders, will be entitled to attend the Meeting and vote. The register of holders of Class A subordinate voting shares is kept by CGI's transfer agent, Computershare Investor Services Inc.

Voting by Registered Shareholders

Registered shareholders, rather than returning the form of proxy by mail or hand delivery, may vote by phone or by using the internet. Proxies submitted by mail, phone or internet must be received by Computershare Investor Services Inc. by 11:00 a.m., Montreal time, on Tuesday, January 29, 2013. Alternatively, shareholders who miss the phone and internet proxy return deadline may still submit a paper proxy which must be received by the Corporate Secretary of the Company prior to the Meeting or any adjournment thereof.

Telephone Voting

If a shareholder wishes to vote by phone, a touch-tone phone must be used to transmit voting preferences to a toll free number. Shareholders must follow the instructions of the voice-response system and refer to the form of proxy they received in the mail which provides the toll free number, the holder account number and the proxy control number which are located on the front side of the proxy form.

Internet Voting

If a shareholder elects to vote using the internet, the shareholder must access the following web site: www.investorvote.com. Shareholders must follow the instructions that appear on the screen and refer to the form of proxy they received in the mail which provides the holder account number and the proxy control number which are located on the front side of the proxy form.

Voting by Non-Registered Shareholders

Non-registered shareholders or “beneficial shareholders” are holders whose shares are held on their behalf through a “nominee” such as a bank, a trust company, a securities broker or other financial institution. Most of CGI’s shareholders hold their shares in this way. Non-registered or beneficial shareholders must seek instructions from their nominees as to how to complete their form of proxy or voting instruction form if they wish to vote their shares themselves. Non-registered or beneficial shareholders who received this *Management Proxy Circular* in a mailing from their nominee must adhere to the voting instructions provided to them by their nominee.

Since CGI’s registrar and transfer agent, Computershare Investor Services Inc., may not have a complete record of the names of the Company’s non-registered shareholders, the transfer agent may not have knowledge of a non-registered shareholder’s right to vote, unless the nominee has appointed the non-registered shareholder as proxyholder. Non-registered shareholders who wish to vote in person at the Meeting must insert their own name in the space provided on the form of proxy or voting instruction form, and adhere to the signing and return instructions provided by their nominee. By doing so, non-registered shareholders are instructing their nominee to appoint them as proxyholder.

VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SHARES

The Company’s authorized share capital consists of an unlimited number of First Preferred Shares (“First Preferred Shares”), issuable in series, an unlimited number of Second Preferred Shares (“Second Preferred Shares”), issuable in series, an unlimited number of Class A subordinate voting shares (“Class A subordinate voting shares”) and an unlimited number of Class B shares (multiple voting) (“Class B shares”), all without par value, of which, as of December 10, 2012, 274,100,984 Class A subordinate voting shares and 33,608,159 Class B shares were issued and outstanding.

The following summary of the material features of the Company’s authorized share capital is given subject to the detailed provisions of its articles of incorporation.

Class A Subordinate Voting Shares and Class B Shares

Voting Rights

The holders of Class A subordinate voting shares are entitled to one vote per share and the holders of Class B shares are entitled to ten votes per share. As of December 10, 2012, 44.9% and 55.1% of the aggregate voting rights are attached to the outstanding Class A subordinate voting shares and Class B shares, respectively.

Subdivision or Consolidation

The Class A subordinate voting shares or Class B shares may not be subdivided or consolidated unless simultaneously the Class B shares or the Class A subordinate voting shares, as the case may be, are subdivided or consolidated in the same manner and in such an event, the rights, privileges, restrictions and conditions then attaching to the Class A subordinate voting shares and Class B shares shall also attach to the Class A subordinate voting shares and Class B shares as subdivided or consolidated.

Rights upon Liquidation

Upon liquidation or dissolution of the Company or any other distribution of its assets among its shareholders for the purposes of winding up its affairs, all the assets of the Company available for payment or distribution to the holders of Class A subordinate voting shares and holders of Class B shares will be paid or distributed equally, share for share.

Conversion Rights of Class A Subordinate Voting Shares in Specific Circumstances

Subject to what is hereinafter set out, if a take-over bid or exchange bid or an issuer bid, other than an exempt bid (as defined in the articles of incorporation of the Company), for the Class B shares is made to the holders of Class B shares without being made simultaneously and on the same terms and conditions to the holders of Class A subordinate voting shares, each Class A subordinate voting share shall become convertible into one Class B share, at the holder's option, in order to entitle the holder to accept the offer from the date it is made. However, this right of conversion shall be deemed not to come into effect if the offer is not completed by its offeror or if the senior executives and full-time employees of the Company or its subsidiaries and any corporate entity under the control of one or more of such senior executives, as owners, as a group, of more than 50% of the outstanding Class B shares, do not accept the offer.

The articles of incorporation of the Company contain a complete description of the types of bids giving rise to the rights of conversion, provide certain procedures to be followed to perform the conversion and stipulate that upon such a bid, the Company or the transfer agent will communicate in writing to the holders of Class A subordinate voting shares full details as to the bid and the manner of exercising the right of conversion.

Conversion of Class B Shares

Each Class B share may, from time to time, at the holder's option, be converted into one Class A subordinate voting share.

Issue of Class B Shares

The Company's articles of incorporation provide for pre-emptive rights in favour of holders of Class B shares. Therefore, the Company may not issue Class A subordinate voting shares or securities convertible into Class A subordinate voting shares without offering, in the manner determined by the Board of Directors, to each holder of Class B shares, pro rata to the number of Class B shares it holds, the right to subscribe concurrently with the issue of Class A subordinate voting shares or of securities convertible into Class A subordinate voting shares, as the case may be, an aggregate number of Class B shares or securities convertible into Class B shares, as the case may be, sufficient to fully maintain its proportion of voting rights associated with the Class B shares. The consideration to be paid for the issuance of each Class B share or security convertible into Class B shares, as the case may be, shall be equal to the issue price of each Class A subordinate voting share or security convertible into Class A subordinate voting shares then issued.

The pre-emptive rights do not apply in the case of the issuance of Class A subordinate voting shares or securities convertible into Class A subordinate voting shares:

- in payment of stock dividends;
- pursuant to the stock option plans or share purchase plans of the Company;
- further to the conversion of Class B shares into Class A subordinate voting shares pursuant to the articles of incorporation of the Company; or

- further to the exercise of the conversion, exchange or acquisition rights attached to securities convertible into Class A subordinate voting shares.

Any holder of Class B shares may assign its pre-emptive rights to other holders of Class B shares.

Dividends

The Class A subordinate voting shares and Class B shares participate equally, share for share, in any dividend which may be declared, paid or set aside for payment thereon. In fiscal 2012, considering, among other matters, the needs for reinvestment in the Company's operations, the scope of investment projects, the repayment of the Company's debt, and the repurchase of outstanding Class A subordinate voting shares under the Company's Normal Course Issuer Bid, the Board of Directors determined that the Company, in keeping with its long-standing practice, would not pay a dividend. The Board of Directors re-evaluates its dividend policy annually.

Amendments

The rights, privileges, conditions and restrictions attaching to the Class A subordinate voting shares or Class B shares may respectively be amended if the amendment is authorized by at least two-thirds of the votes cast at a meeting of holders of Class A subordinate voting shares and Class B shares duly convened for that purpose. However, if the holders of Class A subordinate voting shares as a class or the holders of Class B shares as a class were to be affected in a manner different from that of the other classes of shares, such amendment shall, in addition, be authorized by at least two-thirds of the votes cast at a meeting of holders of shares of the class of shares so affected in a different manner.

Rank

Except as otherwise provided hereinabove, each Class A subordinate voting share and each Class B share carry the same rights, rank equally in all respects and are to be treated by the Company as if they constituted shares of a single class.

Normal Course Issuer Bid and Share Repurchase

On February 1, 2012, the Board of Directors authorized the renewal of a Normal Course Issuer Bid (the "Issuer Bid") and the purchase of up to 10% of the public float of the Company's Class A subordinate voting shares as at January 30, 2012. The Issuer Bid enables the Company to purchase on the open market through the facilities of the Toronto Stock Exchange and certain alternative markets up to 22,064,163 Class A subordinate voting shares for cancellation. As at January 30, 2012, there were 225,247,607 Class A subordinate shares of the Company outstanding of which approximately 97.96% were widely held. The Company was authorized to purchase Class A subordinate voting shares under the Issuer Bid commencing on February 9, 2012 and may continue to do so until February 8, 2013, or until such earlier date when the Company completes its purchases or elects to terminate the Issuer Bid. As of December 10, 2012, the Company had purchased 1,045,700 Class A subordinate voting shares under the Issuer Bid for an average market price plus commission of \$20.67, representing an aggregate consideration of \$21.6 million. A copy of the Company's *Notice of Intention to make a Normal Course Issuer Bid* may be obtained free of charge from CGI's *Investor Relations* department. See the heading *Additional Information* at the end of this document.

First Preferred Shares

The First Preferred Shares may be issued from time to time in one or more series and the Board of Directors of the Company has the right to determine, by resolution, the designation, rights, privileges, restrictions and conditions attaching to each series. The First Preferred Shares of each series rank equal to the First Preferred Shares of all other series and rank prior to the Second Preferred Shares, the Class A subordinate voting shares and Class B shares with respect to payment of dividends and repayment of capital. The holders of First Preferred Shares are entitled to receive notice of and attend any shareholders' meetings and are entitled to one vote per share. As of December 10, 2012, no First Preferred Shares were outstanding.

Second Preferred Shares

The Second Preferred Shares may be issued from time to time in one or more series and the Board of Directors has the right to determine, by resolution, the designation, rights, privileges, restrictions and conditions attaching to each series. The Second Preferred Shares of each series rank equal to all other Second Preferred Shares of all other series and rank prior to the Class A subordinate voting shares and Class B shares with respect to payment of dividends and repayment of capital. The Second Preferred Shares are non-voting. As of December 10, 2012, no Second Preferred Shares were outstanding.

Principal Holders of Class A Subordinate Voting Shares and Class B Shares

As of December 10, 2012, to the knowledge of the directors and executive officers of the Company, the only persons who beneficially owned, directly or indirectly, or exercised control or direction over 10% or more of CGI's outstanding Class A subordinate voting shares or Class B shares were Serge Godin, André Imbeau, and the Caisse de dépôt et de placement du Québec. Their holdings are set out in the tables that follow.

Name	Shares – Class “A”		Shares – Class “B”		Shares – Class “A” and “B”		
	Number	%	Number	%	Total % of Equity	Total Number of Votes	Total % of Vote
Serge Godin	871,644 ^(a)	0.32%			0.28%	871,644	0.14%
			23,007,351 ^(b)	68.46%	7.48%	230,073,510	37.71%
			5,209,156 ^(c)	15.50%	1.69%	52,091,560	8.54%
			360,582 ^(d)	1.07%	0.12%	3,605,820	0.59%
Total	871,644	0.32%	28,577,089	85.03%	9.57%	286,642,534	46.98%

(a) These shares are owned directly or indirectly by Mr. Godin.

(b) These shares are owned by Distinction Capital Inc., a company controlled by Mr. Godin.

(c) These shares are owned by 3727912 Canada Inc., a company controlled by Mr. Godin.

(d) These shares are owned by 9164-7586 Québec Inc., a company controlled by Mr. Godin.

Name	Shares – Class “A”		Shares – Class “B”		Shares – Class “A” and “B”		
	Number	%	Number	%	Total % of Equity	Total Number of Votes	Total % of Vote
André Imbeau	266,467 ^(e)	0.10%			0.09%	266,467	0.04%
			3,477,071 ^(f)	10.35%	1.13%	34,770,710	5.7%
			798,588 ^(g)	2.38%	0.26%	7,985,880	1.31%
Total	266,467	0.10%	4,275,659	12.73%	1.48%	43,023,057	7.05%

(e) These shares are owned directly or indirectly by Mr. Imbeau.

(f) These shares are owned by 9088-0832 Québec Inc., a company controlled by Mr. Imbeau.

(g) These shares are owned by 9102-7003 Québec Inc., a company controlled by Mr. Imbeau.

CGI's Investor Relations department regularly surveys the Company's largest institutional shareholders.

The following table sets out, as at December 10, 2012, the top ten institutional holders of CGI's Class A subordinate voting shares, based on the shareholder identification data available to the Company.

Name	Shares – Class “A”		Shares – Class “B”		Shares – Class “A” and “B”		
	Number	%	Number	%	Total % of Equity	Total Number of Votes	Total % of Vote
Caisse de dépôt et placement du Québec	68,136,698	24.86%	-	-	22.14%	68,136,698	11.17%
FMR, Inc. (Fidelity Investments)	25,692,485	9.37%	-	-	8.35%	25,692,485	4.21%
CGIC, Ltd.	14,125,000	5.15%	-	-	4.59%	14,125,000	2.31%
Greystone Managed Investments	8,600,000	3.14%	-	-	2.79%	8,600,000	1.41%
Mackenzie Financial Corporation	6,440,000	2.35%	-	-	2.09%	6,440,000	1.06%
BMO Capital Markets	6,049,100	2.21%	-	-	1.97%	6,049,100	0.99%
Invesco Advisers	5,900,000	2.15%	-	-	1.92%	5,900,000	0.97%
BlackRock Asset Management Canada	5,525,000	2.02%	-	-	1.80%	5,525,000	0.91%
TD Asset Management	5,179,949	1.89%	-	-	1.68%	5,179,949	0.85%
AGF Investments, Inc.	4,561,744	1.66%	-	-	1.48%	4,561,744	0.75%

As of December 10, 2012, the directors and officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 4,489,518 Class A subordinate voting shares and 33,608,159 Class B shares representing respectively 1.64% of the issued and outstanding Class A subordinate voting shares and 100% of the issued and outstanding Class B shares.

BUSINESS TO BE TRANSACTED AT THE MEETING

The following items of business will be presented to the shareholders at the Meeting:

1. *Presentation of the Annual Consolidated Financial Statements*

The consolidated annual financial statements for the fiscal year ended September 30, 2012 and the report of the auditors will be placed before the Meeting. The annual consolidated financial statements are included in CGI's fiscal 2012 *Annual Report* that was mailed with the Notice of Meeting and this *Management Proxy Circular* to shareholders who requested the *Annual Report*. Additional copies of the fiscal 2012 *Annual Report* may be obtained from CGI upon request and will be available at the Meeting.

2. *Election of Directors*

Fourteen directors are to be elected to hold office until the close of the next Annual General Meeting of Shareholders or until their successor is elected or appointed. Each of the persons presented in this *Management Proxy Circular* is proposed to be nominated as a director of the Company and each nominee has agreed to serve as a director if elected.

The persons named as proxies in the enclosed proxy form intend to cast the votes represented by proxy at the Meeting FOR the election as directors of the fourteen persons nominated in this Management Proxy Circular unless shareholders direct otherwise.

3. *Appointment of Auditors*

The Board of Directors recommends that Ernst & Young LLP, Chartered Accountants, be appointed as the auditors of the Company to hold office until the next Annual General Meeting of Shareholders or until their successors are appointed. Ernst & Young LLP were first appointed as the Company's auditors at the Annual General Meeting of shareholders held on January 27, 2010.

The persons named as proxies in the enclosed proxy form intend to cast the votes represented by proxy at the Meeting FOR the appointment of Ernst & Young LLP as auditors and to vote to authorize the Audit and Risk Management Committee to fix the remuneration of the auditors unless shareholders direct otherwise.

NOMINEES FOR ELECTION AS DIRECTORS

The persons whose names are printed in the enclosed form of proxy intend to vote for the election as directors of the proposed nominees whose names are set forth in the following table. Each director elected will hold office until the next Annual General Meeting of Shareholders or until that director's successor is duly elected or appointed, unless the office is earlier vacated.

The information below lists the name of each candidate proposed by the Board of Directors on the recommendation of the Corporate Governance Committee for election as a director; whether the director has been determined by the Board of Directors to be independent of, or related to, the Company; whether the candidate complies with the Company's share ownership guidelines; the candidate's age; the principal occupation; the municipality, province or state, and country of residence; the year when the person first became a director; their standing committee memberships; the number of shares of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised, the number of Deferred Stock Units ("DSUs") of the Company (see the heading *Stock Options and Deferred Stock Units Granted to Directors* later in this document), the number of stock options of the Company held, and the number of Performance Share Units ("PSUs") of the Company held (see the heading *Performance Share Unit Plan* later in this document); as well as the other companies on whose board of directors the candidate serves.

By filling in the accompanying form of proxy, shareholders may vote for all directors or choose to withhold their vote from some or all of the directors proposed for election.

Information relating to shares, DSUs, stock options, and PSUs beneficially owned, or over which control or direction is exercised has been provided by each of the candidates as of December 10, 2012.



Claude Boivin
Independent director, complies with share ownership guidelines
Age 78
St-Lambert, Quebec, Canada
Director since 1993
Member of the Audit and Risk Management Committee
Class A subordinate voting shares: 104,596 (*)
Deferred Stock Units: 10,265 (+)
Stock options: 23,882 (‡)

Mr. Boivin held a number of senior positions at Hydro-Québec and was its President and Chief Operating Officer when he retired in 1992. Mr. Boivin is also a director of Héroux Devtek Inc. and GLV Inc.



Bernard Bourigeaud
Independent director, complies with the share ownership guidelines
Age 68
Waterloo, Belgium
Director since 2008
Member of the Human Resources Committee
Class A subordinate voting shares: 10,000 (*)
Stock options: 11,522 (±)

Mr. Bourigeaud, a chartered accountant, is Chairman of BJB Consulting, a CEO to CEO consultancy business. Until September 2007, Mr. Bourigeaud was Chairman of Atos Origin S.A., a leading global IT services company which he founded through a chain of successful mergers which began in 1991. Prior to that, he spent 11 years at Deloitte, Haskins and Sells where he was the head of the management consulting group. Mr. Bourigeaud holds positions on various boards including the board of advisors of Jefferies International Limited, and Amadeus IT Holding, S.A. In December 2011, Mr. Bourigeaud was appointed non-executive Chairman of Oberthur Technologies Holding and non-executive Vice-Chairman of Oberthur Technologies SA. He is also an international operating partner of Advent International and President of CEPS (*Centre d'Etude et Prospective Stratégique*). Mr. Bourigeaud is an Affiliate Professor at HEC School of Management in Paris and a member of HEC's International Advisory Board. In 2004, he was appointed *Chevalier de la Légion d'Honneur*.



Jean Brassard
Independent director, complies with share ownership guidelines
Age 68
Brossard, Quebec, Canada
Director since 1978
Member of the Audit and Risk Management Committee
Class A subordinate voting shares: 166,093 (*)
Class B shares: 755,411 (*)
Deferred Stock Units: 7,317 (+)
Stock options: 38,324 (±)

Mr. Brassard has had an extensive career as an IT professional practitioner and senior manager. He joined the Company in 1978 as a Vice-President and led the development and implementation of major IT projects in all economic sectors served by CGI. He became President and Chief Operating Officer in January 1999, and contributed significantly to CGI's international profitable growth until he retired in 2000.



Robert Chevrier
 Independent director, complies with share ownership guidelines
 Age 69
 Verdun (Nuns' Island), Quebec, Canada
 Director since 2003
 Chair of the Human Resources Committee
 Class A subordinate voting shares: 10,000 (*)
 Deferred Stock Units: 28,392 (+)
 Stock options: 73,532 (±)

Mr. Chevrier is President of Roche Management Co. Inc., a holding and investment company. A chartered accountant, he was previously Chairman and Chief Executive Officer of Rexel Canada Inc. (formerly Westburne Inc.). Mr. Chevrier is Chair of the Board of Directors of Uni-Select Inc. and Richelieu Hardware Ltd., and is also a director of Cascades Inc.



Dominic D'Alessandro
 Independent director, complies with share ownership guidelines
 Age 65
 Toronto, Ontario, Canada
 Director since 2010
 Member of the Human Resources Committee
 Class A subordinate voting shares: 10,000 (*)
 Deferred Stock Units: 9,608 (+)
 Stock options: 29,906 (±)

Mr. D'Alessandro was President and Chief Executive Officer of Manulife Financial Corporation from 1994 until 2009. During his tenure, Manulife undertook a dramatic expansion of its operations and emerged as one of the world's leading life insurers. In recognition of his achievements, Mr. D'Alessandro was named by his peers Canada's Outstanding CEO for 2002 and was named Canada's Most Respected CEO for 2004. He is an Officer of the Order of Canada. In 2006, Mr. D'Alessandro was named to the Advisory Committee on the Public Service of Canada. Mr. D'Alessandro is also a director of the Canadian Imperial Bank of Commerce and of Suncor Energy Inc.



Thomas P. d'Aquino
 Independent director, complies with the share ownership guidelines
 Age 72
 Ottawa, Ontario, Canada
 Director since 2006
 Member of the Corporate Governance Committee and Lead Director
 Deferred Stock Units: 28,515 (+)
 Stock options: 75,446 (±)

Mr. d'Aquino is Chief Executive of Intercounsel Ltd. He is Distinguished Life Time Member of the Canadian Council of Chief Executives, an organization that he led as CEO from 1981 through 2009. He has served as Special Assistant to the Prime Minister of Canada, as Senior Counsel to one of Canada's largest law firms, and currently is a Distinguished Visiting Professor, Global Business and Public Policy Strategies at Carleton University's Norman Paterson School of International Affairs and Honorary Professor at the Richard Ivey School of Business. Mr. d'Aquino also serves as Canada Chair of the B20/G20 Committee, and as Canada Co-Chair of the North American Forum and the Australia-Canada Economic Leadership Forum. He also serves as Chair of the National Gallery Foundation of Canada. Mr. d'Aquino is also a director of Manulife Financial Corporation and Coril Holdings Ltd.



Paule Doré
 Independent director, complies with share ownership guidelines
 Age 61
 Outremont, Quebec, Canada
 Director since 1995
 Member of the Corporate Governance Committee
 Class A subordinate voting shares: 99,774 (*)
 Deferred Stock Units: 2,375 (+)
 Stock options: 15,440 (±)

Mrs. Doré joined CGI in 1990 as Vice-President Communications and Human Resources, and was Executive Vice-President and Chief Corporate Officer and Secretary until September of 2006 when she assumed the role of Advisor to the Founder and Executive Chairman, a position she held until her retirement in August of 2009. The Board of Directors determined that Mrs. Doré is an independent director and satisfies the independence rules of Canadian securities regulatory authorities and those that are applicable in the United States, including the independence rules of the New York Stock Exchange. Mrs. Doré was appointed as a member of the Corporate Governance Committee on September 25, 2012. Mrs. Doré is also a director of Cogeco Inc. and Héroux Devtek Inc.



Richard B. Evans
 Independent director, complies with share ownership guidelines
 Age 65
 San Francisco, California, USA
 Director since 2009
 Member of the Audit and Risk Management Committee
 Class A subordinate voting shares: 10,000 (*)
 Deferred Stock Units: 10,716 (+)
 Stock options: 34,622 (‡)

Prior to his retirement in April 2009, Mr. Evans was Executive Director of London-based Rio Tinto plc and Melbourne-based Rio Tinto Ltd. While with Rio Tinto, he was Chief Executive of Rio Tinto Alcan. Prior to that he was President and Chief Executive Officer of Alcan Inc. until its acquisition by Rio Tinto in October of 2007. He is now Chairman of the Board of Resolute Forest Products, Lead Independent Director of Constellium Inc., and is also a director of Noranda Aluminum Holding Corp.



Serge Godin
 Director related to CGI, complies with share ownership guidelines
 Age 63
 Westmount, Quebec, Canada
 Director since 1976
 Class A subordinate voting shares: 871,644 (*)
 Class B shares: 28,577,089 (*)
 Stock options: 2,637,235 (‡)
 Performance Share Units: 285,398 (§)

The Board of Directors has determined that Mr. Godin is a related director because, as Founder and Executive Chairman of the Board, he is a member of CGI's Executive Committee and is a key member of the Company's senior leadership team. Mr. Godin also owns a majority interest in the Company's Class B shares (see the heading *Principal Holders of Class A Subordinate Voting Shares and Class B Shares* earlier in this document). Mr. Godin co-founded CGI in 1976 and became its first President. Since CGI's inception, Mr. Godin has successfully grown the Company to become Canada's largest independent IT services company and one of the largest independent information technology and business process services firms in the world. He is a member of the Order of Canada and of the Ordre National du Québec, a Laureate of the Canadian Business Hall of Fame, and in 2011 he received the Conference Board of Canada's Honorary Associate Award, the Conference Board's highest award.



André Imbeau

Director related to CGI, complies with share ownership guidelines

Age 63

Beloeil, Quebec, Canada

Director since 1976

Class A subordinate voting shares: 266,467 (*)

Class B shares: 4,275,659 (*)

Stock options: 668,303 (‡)

Performance Share Units: 59,732 (§)

Mr. Imbeau co-founded CGI in 1976 and was, until July 2006, Executive Vice-President and Chief Financial Officer. He now acts as Founder, Vice-Chairman of the Board and Corporate Secretary, and as Advisor to the Founder and Executive Chairman of the Board, and is therefore a related director. Mr. Imbeau holds an interest in the Company's Class B shares (see the heading *Principal Holders of Class A Subordinate Voting Shares and Class B Shares* earlier in this document). His financial and operational expertise and deep understanding of CGI's operations are important assets to the Company's Board of Directors.



Gilles Labbé

Independent director, complies with share ownership guidelines

Age 55

Montreal, Quebec, Canada

Director since 2010

Chair of the Audit and Risk Management Committee

Deferred Stock Units: 6,187 (+)

Stock options: 23,065 (‡)

Mr. Labbé is President and Chief Executive Officer, and a director, of Héroux Devtek Inc., an aerospace and industrial products manufacturer. He has held these positions since June 2000. Prior to the acquisition of Devtek in that year, Mr. Labbé was President and Chief Executive Officer and a director of Héroux Inc. since 1989. A Fellow of the Institute of Chartered Accountants, Mr. Labbé is the recipient of numerous business awards and is also a director of the Aerospace Industries Association of Canada, and Aéro Montreal.



Eileen A. Mercier
 Independent director, complies with share ownership guidelines
 Age 64
 Toronto, Ontario, Canada
 Director since 1996
 Chair of the Corporate Governance Committee
 Class A subordinate voting shares: 21,739 (*)
 Deferred Stock Units: 23,215 (+)
 Stock options: 73,733 (±)

Mrs. Mercier was previously Senior Vice-President and Chief Financial Officer of Abitibi-Price Inc. In addition to sitting on the boards of non profit organizations, Mrs. Mercier is Chair of the Board of Directors of the Ontario Teachers Pension Plan, and is also a director of ING Bank of Canada, Intact Financial Corporation, and Teekay Shipping Corp.



Donna S. Morea
 Director related to CGI, complies with share ownership guidelines
 Age 57
 Royal Oak, Maryland, USA
 Director since 2012
 Class A subordinate voting shares: 15,052 (*)
 Deferred Stock Units: 2,072 (+)
 Stock options: 558,583 (±)

Mrs. Morea joined CGI in 2004 when CGI acquired *American Management Systems, Inc.* where she was the Executive Vice-President responsible for the company's public sector practice. Mrs. Morea held a number of senior management positions with CGI, and was, until her retirement on December 31, 2011, Executive Vice-President. In her management roles with CGI, Mrs. Morea was responsible for all of CGI's operations in the US, India, Europe, and Australia. The Board of Directors has determined that Mrs. Morea is a related director because she was, until her retirement, a senior executive and an officer of CGI. Mrs. Morea is also a director of SunTrust Banks, Inc.



Michael E. Roach

Director related to CGI, complies with share ownership guidelines

Age 60

Outremont, Quebec, Canada

Director since 2006

Class A subordinate voting shares: 879,207 (*)

Stock options: 1,883,380 (‡)

Performance Share Units: 481,654 (§)

The Board of Directors has determined that Mr. Roach is a related director because, as President and Chief Executive Officer of CGI and a member of CGI's Executive Committee, he is a key member of the Company's senior leadership team. Prior to his appointment as President and Chief Executive Officer in January 2006, he was President and Chief Operating Officer of the Company. Mr. Roach joined CGI in July 1998 as Executive Vice-President and General Manager, Telecommunications Information Systems and Services, after a distinguished career at a major telecommunications company where he held a number of leadership positions. He is also a director of the Conference Board of Canada and the U.S. Conference Board, a member of the Canadian Council of Chief Executives, and a director of Yellow Media Inc.

(*) Number of shares beneficially owned, or controlled, or directed, directly or indirectly.

(+) For more information concerning DSUs, please refer to the heading *Compensation of Directors* later in this document.

(‡) For more information concerning stock options, please refer to the headings *Share Option Plan* and *Compensation of Directors* later in this document.

(§) For more information concerning PSUs, please refer to the heading *Performance Share Unit Plan* later in this document.

COMMITTEE REPORTS

REPORT OF THE HUMAN RESOURCES COMMITTEE

Executive Compensation Discussion and Analysis

Executive Compensation Policy

CGI's executive compensation policy emphasizes **incentive compensation linked to business success** to ensure that financial interests of the Company's executives are closely aligned with those of shareholders. CGI measures business success on the basis of profit and growth as well as client and member satisfaction.

CGI's compensation policy is rooted in its fundamental belief that a company with an inspiring dream, uncompromising integrity, a caring human resources philosophy and solid values is better able to attract and respond to the profound aspirations of high-calibre, competent people. These people in turn will deliver high-quality services, in keeping with the Company's profitability objectives. The growth and profitability generated as a result will allow CGI to continue to offer its shareholders value for their investment.

This belief drives the Company's compensation programs, which are designed to attract and retain the key talent CGI needs to remain competitive in a challenging market and achieve continued and profitable growth for shareholders.

In keeping with CGI's compensation policy, the same principles that are used to determine the compensation of the named executive officers (the CEO, the CFO and the three other most highly compensated executive officers of the Company, hereafter referred to as the "Named Executive Officers") are also applied to all management team members, taking into account the results of their respective business units. In the case of CGI's senior executives, there is an added emphasis on closely aligning executives' financial interests with those of shareholders through incentive compensation.

This report outlines the main features of CGI's executive compensation policy and programs.

The Human Resources Committee of the Board of Directors

The Committee reviews management's proposals and makes recommendations to the Board of Directors of the Company in relation to the compensation of certain senior executives, including the entitlements under short and long-term incentive and benefit plans and the corporate objectives that the Founder and Executive Chairman of the Board, the President and Chief Executive Officer and other senior executive officers are responsible for meeting. It is similarly responsible for approving and making recommendations in relation to the compensation of the Company's outside directors and succession plans for senior executive officers.

The Committee is made up of Messrs. Robert Chevrier, Chair of the Committee, Bernard Bourigeaud and Dominic D'Alessandro, all of whom are independent directors. The Committee met four times in fiscal 2012. Mr. Chevrier's role and responsibilities as Chair of the Committee are described later in this document in the report of the Corporate Governance Committee under the heading *Role and Responsibilities of the Lead Director and Standing Committee Chairs*.

Each of the members of the Committee has significant experience in the role of chief executive officer that includes ample experience in matters relating to human resources management and executive compensation. Mr. Chevrier was Chairman and Chief Executive Officer of Rexel Canada Inc. (formerly Westburne Inc.), Mr. D'Alessandro was President and Chief Executive Officer of Manulife Financial Corporation, and Mr. Bourigeaud was Chairman and Chief Executive Officer of Atos Origin S.A.

The role and responsibilities of the Committee are contained in the Committee's charter. The Committee's charter forms part of CGI's *Fundamental Texts* and the charter is incorporated by reference in this *Management Proxy Circular* (see the heading *Mandate, Structure and Composition of the CGI Board of Directors* later in this document) and is available on CGI's web site at www.cgi.com. The role and responsibilities of the Committee include:

- (a) Advising the Board of Directors on human resources planning;
- (b) Reviewing and advising the Board of Directors on management's succession plans for Executive Officers, with special emphasis on the Executive Chairman of the Board and Chief Executive Officer succession;
- (c) Reviewing and advising the Board of Directors on CGI's compensation philosophy and policies, including the remuneration strategy and remuneration policies for the Executive Officer level as proposed by the Executive Chairman of the Board and the Chief Executive Officer;
- (d) Making recommendations to the Board of Directors for the appointment of the Executive Chairman of the Board, the Chief Executive Officer and other Executive Officers, and the corporate objectives which the Executive Chairman of the Board and such other Executive Officers, as the case may be, are responsible for meeting, as well as the assessment of the Executive Chairman of the Board and of the Chief Executive Officer against these objectives;
- (e) Monitoring of the Executive Chairman of the Board's performance and providing advice and counsel in the execution of his duties;
- (f) Reviewing and advising the Board of Directors on CGI's overall remuneration plan including the 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 that regard considering 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;
- (g) Reviewing and advising the Board of Directors on the 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;
- (h) Reviewing and advising the Board of Directors on employment and termination arrangements for senior management;
- (i) Making recommendations on the adoption of new, or significant modifications to, pay and benefit plans;
- (j) Recommending the appointment of new officers as appropriate;
- (k) Reviewing and advising the Board of Directors on significant organizational changes;
- (l) Reviewing and approving the Committee's executive compensation report to be contained in the Company's annual *Management Proxy Circular*;
- (m) Reviewing and advising the Board of Directors on management development programs for the Company;
- (n) Reviewing and advising the Board of Directors on special employment contracts or arrangements with officers of the Company, if any, including any contracts relating to change of control; and
- (o) Reviewing and advising the Board of Directors on the remuneration for members of the Board of Directors and its committees, including the adequacy and form of compensation realistically reflecting the responsibilities and risks of the positions and recommending changes where applicable.

The Committee also performs such other duties as are from time to time assigned to it by the Board of Directors.

In executing its mandate, the Committee may retain independent external advisors, and may assess and review, on an annual basis or as deemed appropriate, the independence of its external advisors.

The Committee reports to the Board of Directors on its proceedings, the reviews it undertakes, and its recommendations.

To assist the Committee in performing its functions, the services of Towers Watson, the Company's external human resources consultant, are retained. Towers Watson was first retained to provide consulting services in 1995. Towers Watson's mandate is to:

- Provide the Committee with information on market trends and best practices on executive and director compensation.

- Develop recommendations on the composition of the reference groups of companies used as the basis for determining the compensation of the directors, the Founder and Executive Chairman of the Board, the President and Chief Executive Officer and other senior executive officers of the Company.
- Conduct market research and provide the Committee with data and analysis on compensation practices of reference groups to allow the Company to align its compensation policy with the market as it applies to the directors, the Founder and Executive Chairman of the Board, the President and Chief Executive Officer and other senior executive officers.
- Review the design of the annual and long-term incentive programs and provide data and analysis on reference groups' practices in this area.

Towers Watson does from time to time provide services at the request of CGI's management and the Committee pre-approves such services.

Executive Compensation Related Fees

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

Service retained	Fees billed	
	2012	2011
Advice in relation to executive compensation and the compensation of directors ^(a)	\$126,558	\$64,894
All other fees ^(b)	\$638,131	\$307,254
Total fees billed	\$764,689	\$372,148

- (a) Of the fees billed by the human resources consultant for the year ended September 30, 2012, \$48,373 related to advice provided to the Committee in relation to executive compensation in the context of the acquisition of *Logica plc*.
- (b) The other fees billed by the human resources consultant for the year ended September 30, 2012 were in relation to assessments of pension plan and incentive plan liabilities in acquisitions as well as advice on organizational development activities, of which \$130,004 related to the acquisition of *Logica plc*. The other fees billed in 2011 were in relation to assessments of pension plan and incentive plan liabilities in acquisitions as well as advice on organizational development activities.

Compensation Policy and Process for the 2012 Fiscal Year

Composition of Reference Groups

To determine appropriate compensation levels, the Named Executive Officers' positions are compared with similar positions within a reference group made up of companies leading their industry. These companies include information technology consulting firms and companies similar to CGI with regard to size, and operational and managerial complexity. The Committee reviews the composition of the reference groups annually.

With some 53% of its 2012 revenues generated outside Canada, as well as constant international expansion, CGI must ensure that it offers competitive compensation in the challenging markets in which it operates and recruits high-performing executives. All of the Company's major competitors are based either in the U.S. or Europe and they compete against CGI both in Canada and internationally.

In response to this market reality the Committee based all Named Executive Officers' compensation for the year ended September 30, 2012 on the U.S. market.

The following disclosure relates to the Company's compensation policy in effect for the fiscal year ended September 30, 2012.

The selection criteria used to determine the composition of the comparator groups are the following:

- Autonomous and publicly-traded companies;
- Large number of professionals;
- Growing companies;
- High-end IT consulting, systems integration, IT outsourcing and business solutions providers;
- International scope;
- Companies for which IT is very strategic; and
- Participation in the U.S. data bank maintained by Towers Watson, the Company's external human resources consultant, as the case may be.

Each company in the following table meets at least one of the foregoing criteria:

Comparator group: 19 companies

Accenture plc	Fiserv, Inc.
Acxiom Corporation	Gartner, Inc.
Automatic Data Processing, Inc.	Jack Henry & Associates Inc.
Broadridge Financial Solutions Inc.	ManTech International Corporation
CACI International Inc.	MAXIMUS, Inc.
Computer Sciences Corporation	SAIC, Inc.
Convergys Corporation	Sapient Corp.
DST Systems Inc.	Unisys Corporation
Fair Isaac Corp.	Vangent, Inc.
Fidelity National Information Services, Inc.	

The foregoing comparator group was used to determine the compensation of the Named Executive Officers for the fiscal year ended September 30, 2012.

Executive Compensation Components

CGI's total executive compensation is made up of five components: a base salary, a short-term incentive plan, a long-term incentive plan, benefits and perquisites. In keeping with the Company's values, **incentive compensation** and **share ownership** are emphasized to ensure that executives' interests are aligned with CGI's profitability and growth objectives, which in turn results in increased value for all shareholders under normal market conditions. CGI's executives do not participate in any defined benefit pension or retirement plans.

Component	Description	Alignment with Reference Group
Base salary	Annual base salary based on each executive's responsibilities, competencies and contribution to the Company's success.	Aligned with median base salary offered in the reference group, while allowing for compensation above the median to recognize an executive's exceptional and sustained contribution to the Company's success.
Short-term incentive plan	Annual cash bonus based on achievement of business objectives in accordance with CGI's Profit Participation Plan (details are provided later in this document).	Aligned with median short-term incentives of the reference group, when business objectives are met.

Component	Description	Alignment with Reference Group
Long-term incentive plan	Grants under the Share Option Plan and awards under the Performance Share Unit Plan based on achievement of business objectives (details are provided later in this document).	Aligned with median total compensation of the reference group, or above the median to recognize an executive's exceptional performance, when business objectives are met.
Benefits	Group benefits and employer contributions under the Share Purchase Plan.	Aligned with median benefits of the reference group.
Perquisites	Company car and related expenses, tax services, health insurance, and medical exams are the principal perquisites.	Aligned with median perquisites of the reference group.
Total compensation		Aligned with the median of the reference group while allowing for total compensation above the median to recognize an executive's exceptional performance, when business objectives are met

The following table shows for each Named Executive Officer the compensation components as a percentage of total compensation, at target levels for the short term and long term incentives, for the year ended September 30, 2012:

Name and title	Base salary	CGI Profit Participation Plan	Long-term incentive	Benefits and perquisites
Serge Godin Founder and Executive Chairman of the Board	16.45%	21.38%	61.12%	1.05%
André Imbeau Founder, Vice-Chairman and Corporate Secretary	20.99%	16.79%	59.10%	3.12%
Michael E. Roach President and Chief Executive Officer	14.37%	18.69%	65.49%	2.25%
R. David Anderson Executive Vice-President and Chief Financial Officer	21.71%	16.28%	59.81%	2.20%
George D. Schindler President, United States	26.76%	22.75%	48.66%	1.83%

The Founder and Executive Chairman of the Board and the President and Chief Executive Officer may from time to time exercise their discretion to recommend to the Committee and the Board of Directors that incentive compensation under the Profit Participation Plan, and the performance-based vesting of stock options under the Share Option Plan and of PSUs under the PSU Plan, be adjusted in order to ensure that actual profit participation and vested stock options are equitable and balance the interests of each of the Company's stakeholders based on the overall performance of the Company and exceptional market conditions.

Base Salary

The base salaries paid to Named Executive Officers are reviewed every year based on each executive's scope of responsibilities, competencies and contribution to the Company's success. The objective of CGI's compensation policy for base salaries is to align them with median base salary of the reference group, while allowing for compensation to rise above the median in recognition of a particular executive's exceptional and sustained contribution to the Company's success. As part of the methodology used for fiscal 2012, Named Executive Officers' positions were compared with generic positions in the U.S. compensation database maintained by Towers Watson, the Company's external human resources consultant. When differences in the level and scope

of responsibilities for the comparable generic executive position are observed, the value of the generic position is adjusted to ensure that there is an appropriate basis for comparison.

Profit Participation Plan: Annual Cash Bonus

The Named Executive Officers participate in CGI's *Profit Participation Plan*, a short-term incentive plan that pays an annual cash bonus **based on achievement of business objectives** as approved at the beginning of the fiscal year by the Board of Directors on the recommendation of the Committee. The Profit Participation Plan is designed to provide CGI's management and members with an incentive to increase the profitability and growth of the Company.

The Committee makes a recommendation to the Board of Directors in relation to the payment of bonuses to the Named Executive Officers under the Profit Participation Plan based on the Company's achievement of performance objectives.

Individual incentive awards are based on the executive's target bonus and the achievement of objectives. The target bonus varies as a percentage of base salary depending on the executive's position. The target bonus is then adjusted in accordance with a **performance factor** that is directly linked to the level of achievement of business objectives set out in the Company's annual plan. Executive bonus targets are reviewed annually to ensure they remain aligned with the Company's compensation policy and continue to be competitive with CGI's US reference group.

Performance Factor

The performance factor used to adjust each Named Executive Officer's target bonus is based on two separate measures: profitability and growth. Achievement of profitability and growth objectives determines the performance factor that is applied to calculate the annual cash bonus. Such adjustment may result in a reduction or an increase in the bonus. In the latter case, the increase may not exceed two times the target bonus.

The profitability performance factor is based on the degree of achievement of the net earnings margin objective approved by the Board of Directors as part of the Company's annual budget and strategic plan. The growth performance factor is based on the degree of achievement of the year-over-year percentage revenue growth objective also approved by the Board of Directors as part of the Company's annual budget and strategic plan.

The performance factors for achievement of results between levels are prorated, and revenues are calculated on a constant currency basis.

The effect of the formula for fiscal 2012 was to place special importance on meeting the growth objectives. If the growth threshold is not met, no bonus is paid under the plan. The achievement of the profitability target was a separate performance measure which impacted the bonus payout.

In the case of group Presidents, half of their target bonus was based on the formula above while the other half was determined based on the performance of the business units for which they are responsible using the same performance measures.

CGI does not disclose specific performance targets because it considers that the information would place it at a significant competitive disadvantage if the targets became known.

Disclosing the specific performance targets that are set as part of the Company's annual budget and strategic planning process would expose CGI to serious prejudice and negatively impact its competitive advantage. For example, to the extent that the Company's performance targets became known, its ability to negotiate accretive business agreements would be significantly impaired, putting incremental pressure on its profit margins. In addition, we believe that disclosing performance targets would be inconsistent with CGI's policy of not providing guidance to the market and limiting all other forward-looking information.

Achievement of the performance objectives presents a meaningful challenge for the Company's management team since the Company consistently sets ambitious goals as part of its annual budget and strategic planning

process. The payouts to the Named Executive Officers for fiscal 2010, fiscal 2011, and fiscal 2012 of compensation that was subject to performance objectives averaged 30% of the target compensation at risk, which clearly indicates the difficulty of achieving the performance objectives.

The table below shows the portion of the total compensation at risk that was paid out to the Named Executive Officers for the 2012 fiscal year.

Name and title	Percentage of total compensation at risk	Percentage payout for fiscal 2012 ^(a)
Serge Godin Founder and Executive Chairman of the Board	83%	26%
André Imbeau Founder, Vice-Chairman and Corporate Secretary	76%	28%
Michael E. Roach President and Chief Executive Officer	84%	28%
R. David Anderson Executive Vice-President and Chief Financial Officer	76%	28%
George D. Schindler President, United States	71%	38%

(a) This percentage shows the proportion of the Named Executive Officer's compensation at risk that was actually earned, based on the achievement of objectives including the performance-based vesting of the Company's stock options and, where applicable, PSUs.

The total aggregate compensation paid to the Named Executive Officers as indicated in the *Net Total Compensation Table* and in the *Summary Compensation Table* later in this document, is in keeping with the Company's compensation policy as described earlier in this document and, overall, was below the median of the reference group at approximately 52% of the median target total compensation of the reference group, resulting from the operation of the pay for performance policy.

The Committee is responsible for ensuring that CGI's executive compensation policies do not expose the Company to significant risks such as providing incentives for senior executives to engage in business strategies that could yield compensation for the executive while placing the Company in financial jeopardy.

The Committee considers that the Company's executive compensation policies, particularly those that relate to the portion of compensation for which the achievement of performance measures apply, do not expose the Company to risks that could have a material adverse impact on the Company. The short term and long term incentive performance-based compensation components require that the Company's profitability objectives be met. Business strategies that impair the Company's profitability, whether in the short or long term, will not result in payouts to the executive team. Since the measures are based on GAAP measures, the results are subject to the same controls over financial reporting and disclosure controls and procedures that apply to the disclosure of the Company's financial results. These controls include controls and procedures that are designed to protect against, and provide early warning of, fraud and falsification.

CGI does not have a policy that prevents a senior executive or a director from hedging his or her exposure to a decrease in the value of CGI's shares. All of the Company's senior executives and directors are required to prepare and file reports disclosing their trading activities in the Company's securities, including derivative instruments, and the Company prepares and files the reports on their behalf. The Company therefore monitors all securities transactions by its senior executives and directors and also requires that they pre-clear their transactions with the Company. In the event that a senior executive or director intended to hedge their exposure, the matter would be brought to the Company's attention.

Long-Term Incentive Plans

CGI's long term incentive plans include the *Share Option Plan for Employees, Officers, Directors and Consultants of CGI Group Inc., its Subsidiaries and its Associates* (the "Share Option Plan") and the *Performance Share Unit Plan for the Executive Chairman, the Executive Vice-Chairman, the President and Chief Executive Officer and Other Designated Participants of CGI Group Inc.* (the "PSU Plan"). In line with practices among certain of the Company's peers, the Company's compensation policy is now to grant, on a case by case basis, a mix of stock options issued under the Share Option Plan and PSUs awarded under the PSU Plan as the long term incentive component of certain of its senior executives' compensation.

The 2011 fiscal year was the first year in which PSUs were granted to certain senior executives, and a total of 164,012 PSUs were awarded. For fiscal 2012 the total number of PSUs awarded increased to 761,358, and these entirely replaced stock options grants for certain of the Named Executive Officers.

Share Option Plan

CGI's executives participate in the Share Option Plan. Like the Profit Participation Plan and the PSU Plan, the Share Option Plan is designed to ensure that executives' interests are closely aligned with those of all shareholders. The Share Option Plan is designed in accordance with the Company's ownership philosophy.

The Company's practice is to apply performance-based vesting rules for all stock options granted under the Share Option Plan as part of the Company's long-term incentive program. CGI's general grant of stock options is made at the beginning of the fiscal year. The percentage of stock options that become eligible to vest is based on the degree of achievement of profitability and revenue growth objectives. Stock options that are not eligible to vest are forfeited and cancelled.

Stock options that have become eligible to vest then vest on a time basis as follows: one-quarter when the fiscal year's results are approved, one quarter on the second anniversary of the grant, one-quarter on the third anniversary of the grant, and the final quarter on the fourth anniversary of the grant.

See the heading *Key Features of CGI's Long Term Incentive Plans* later in this document for a summary of the features of the Share Option Plan.

Stock Options Granted in Fiscal 2012

During fiscal 2012, 200,000 stock options were granted to the Named Executive Officers. The number of stock options granted was determined based on the dollar amount of long-term compensation required to align the Named Executive Officer's total compensation with the Company's compensation policy.

The number of stock options granted is a function of the current year's compensation objectives and, for that reason, previous grants of stock option based awards are not taken into account when considering the annual grant of incentive stock options.

All the stock options granted as part of the long-term incentive plan for fiscal 2012 were granted for a term of ten years and were eligible to vest based on the achievement of profitability and growth objectives for the year ended September 30, 2012. The details of these grants are shown in the table entitled *Stock Options held by Named Executive Officers* which appears in Appendix A.

Based on the degree of achievement of profitability and growth objectives during fiscal 2012, 42.2% of the stock options granted to the Named Executive Officers in respect of the long-term incentive awards for fiscal 2012 became eligible to vest.

Grant Date Fair Value

The grant date fair value for the fiscal 2012 grant of stock options was determined by applying a Black Scholes value of \$5.52 as the grant date fair value for the stock options. For the fiscal years ended September 30, 2011 and 2010 the Company used the binomial stock option pricing model as the basis for determining its stock option grants as that was the method that was used by Towers Watson, the Company's external human resources

consultant, in its market studies among the companies that make up the Company's comparator groups. The Company altered this approach to align the valuation method used for compensation purposes with the valuation method used for accounting purposes.

The following table sets out the key assumptions and estimates used to determine the stock options' grant date fair values for the fiscal years ended September 30, 2010, 2011 and 2012. The following key assumptions and estimates are therefore used:

Stock Option Valuation Methods for Stock Options			
Assumptions	2012 Black-Scholes Pricing Method	2011 Binomial Pricing Method	2010 Binomial Pricing Method
Performance-based vesting discount (%)	-	15.00	15.00
Grant date fair value (\$)	5.52	4.20	4.39
Dividend yield (%)	0.00	0.00	0.00
Expected volatility (%)	27.63	28.05	25.436
Risk-free interest rate (%)	1.20	5.00	3.70
Expected life (years)	4.75	6.01	6.00
Exercise Price (\$)	19.71	15.96	13.26

The accounting fair value of the stock options is determined in accordance with Section 3870 of the CICA Handbook using the Black-Scholes stock option pricing model and complies with the requirements under generally accepted accounting principles.

For the three years ended September 30, 2012, 2011 and 2010 the grant date fair value for accounting purposes, the grant date fair value for executive compensation purposes and the differences in fair values is shown in the following table:

Fiscal Year	Pricing method / Value for compensation purposes	Pricing method / Value for accounting purposes	Difference
2012	Black-Scholes / \$5.52	Black-Scholes / \$4.67	\$0.85
2011	Binomial / \$4.20	Black-Scholes / \$4.31	\$0.11
2010	Binomial / \$4.39	Black-Scholes / \$3.63	\$0.76

The difference between the value used for compensation purposes disclosed above and that used for accounting purposes results for 2010 and 2011 from the use of different option pricing models for calculating the grant date fair value, and because Towers Watson determined the grant value prospectively in advance of the grant in making a recommendation as to the number of stock options to be granted, whereas the expense determination for accounting purposes is carried out at a later time, in some cases using different option pricing model assumptions. For the 2012 fiscal year, the difference results from an adjustment to the Black-Scholes option pricing model expected life assumption for accounting purposes made subsequent to the grant date.

Performance Share Unit Plan

The PSU Plan is designed to ensure that executives' interests are closely aligned with those of all shareholders and is similar in function to the Share Option Plan in that the plan is designed in accordance with the Company's ownership philosophy.

PSUs have performance-based vesting rules that are the same as those that apply to stock options granted under the Share Option Plan. The PSUs are part of the Company's long-term incentive program and serve the same purpose as stock options. CGI's general award of PSUs is made at the beginning of the fiscal year. The percentage of PSUs that become eligible to vest is based on the degree of achievement of the same profitability and revenue growth objectives as for stock options. PSUs that do not become eligible to vest are forfeited and cancelled.

See the heading *Key Features of CGI's Long Term Incentive Plans* later in this document for a summary of the features of the PSU Plan.

Performance Share Units Awarded in Fiscal 2012

During fiscal 2012, 761,358 PSUs were awarded to certain of the Named Executive Officers. The number of PSUs granted was determined based on the dollar amount of long-term compensation required to align the Named Executive Officer's total compensation with the Company's compensation policy.

All PSUs awarded as part of the long-term incentive plan for 2012 were granted for a term of three years following the calendar year in which they became eligible to vest, and were eligible to vest based on the achievement of profitability and growth objectives for the year ended September 30, 2012. The details of these awards are shown in the *Net Total Compensation Table* and in the *Summary Compensation Table* later in this document.

Based on the degree of achievement of profitability and growth objectives during fiscal 2012, 35.6% of the PSUs awarded to the Named Executive Officers in respect of the long-term incentive awards for the fiscal year 2012 became eligible to vest.

A table showing all outstanding unvested PSU awards held by the Company's Named Executive Officers as at September 30, 2012 as well as the market value of such unvested PSUs is provided in Appendix A.

Award Date Fair Value

The award date fair value for the fiscal 2012 award of PSUs was determined by applying a performance discount factor of 0.75 to the award date price of the Class A subordinate voting shares underlying the PSUs. This discount method was suggested by Towers Watson, the Company's external human resources consultant, because in its databanks of companies that make up the Company's comparator groups, such performance discount methods are used when performance vesting conditions are required for the PSU unitholder.

The accounting fair value of the PSUs was determined in accordance with IFRS 2 of *International Financial Reporting Standards* as \$19.71, the market value of the underlying Class A subordinate voting shares on the award date. The stock-based compensation cost related to PSUs recorded in costs of services, selling and administrative expenses for the fiscal year ended September 30, 2012 takes into account the actual result of the performance-based vesting (35.6% of the PSUs became eligible to vest) and amortizes the resulting net PSU value over the four-year vesting period. For the year ended September 30, 2012, the award date fair value used for determining the Company's executive compensation was \$14.78 per PSU using the valuation method suggested by Towers Watson, a difference of \$4.93.

The difference between the value used for compensation purposes disclosed above and that used for accounting purposes results from the fact that for accounting purposes there is no recognition of a performance discount at the date of grant but a recognition of the actual performance vesting condition at the date of the performance vesting. For compensation purposes, a factor of 0.75 designed to account for the discount attributable to the performance-based vesting risk was used at the date of grant to determine the number of PSUs to be granted.

Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option-based awards – Value vested during the year ^(a) (\$)	Share-based awards – Value vested during the year ^(b) (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Serge Godin	3,282,969	0	0
André Imbeau	948,896	0	0
Michael E. Roach	3,395,001	0	0
R. David Anderson	1,171,696	0	0
George D. Schindler	577,702	-	146,770 ^(c)

- (a) The stock options that vested during the 2012 fiscal year were the performance-based stock options granted in the 2008, 2009 and 2010 fiscal years that became eligible to vest and for which the exercise prices were \$9.31, \$12.54, and \$15.49 respectively. One-third of the 2008 stock options and one-third of the 2009 stock options vested on October 1, 2011 when the closing price of the shares was \$19.71 and one-third of the 2010 stock options vested on November 9, 2011 when the closing price for the shares was \$20.15.
- (b) The share-based awards for the 2012 fiscal year are PSUs. 62.5% and 35.6% of the PSUs granted for the 2011 and 2012 fiscal years respectively became eligible to vest on November 9, 2011 and November 27, 2012 respectively. The participants elected to defer the acquisition of their PSUs in accordance with the plan.
- (c) Mr. Schindler is paid in U.S. dollars. The amount shown is in Canadian dollars converted on the basis of the average exchange rate used to present expense information in the Company's consolidated annual audited financial statements which was CAD\$1.00740 for each U.S. dollar. Please refer to the disclosure concerning the foreign exchange rates used for financial reporting purposes on page 13 of the *Management's Discussion and Analysis* for the fiscal year ended September 30, 2012 under the heading *Foreign Exchange*.

Defined Contribution Pension Plan and Deferred Compensation Plans

Defined Contribution Pension Plan

In fiscal 2012, George D. Schindler participated in a U.S. 401(k) Plan that is a benefit available to all U.S.-based members. The following table sets out the amount contributed to the plan by the Company as well as the accumulated value of the plan at the beginning and end of the Company's fiscal year.

Name and title	Accumulated value at start of year ^(a)	Compensatory ^(a)	Accumulated value at year-end ^(a)
George D. Schindler President, United States	\$368,331	\$2,519	\$381,857

- (a) The amount shown is in Canadian dollars converted on the basis of the average exchange rate used to present expense information in the Company's consolidated annual audited financial statements which was CAD\$1.00740 for each U.S. dollar. Please refer to the disclosure concerning the foreign exchange rates used for financial reporting purposes on page 13 of the *Management's Discussion and Analysis* for the fiscal year ended September 30, 2012 under the heading *Foreign Exchange*.

Deferred Compensation Plan

As a US-based employee, Mr. Schindler participates in a deferred compensation plan.

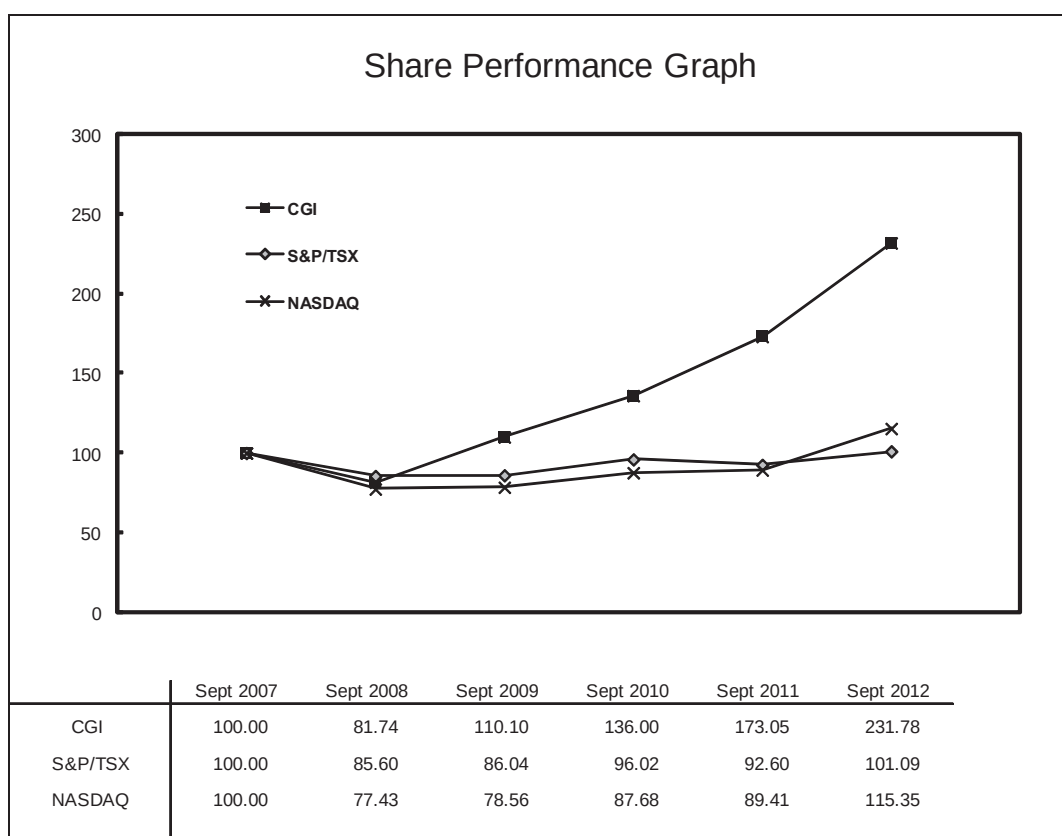
The deferred compensation plan in which George Schindler participates is the *CGI Non-Qualified Deferred Compensation Plan* which allows participants to defer annually between 5% and 75% of their base salary, and between 5% and 90% percent of their awards under the CGI Profit Participation Plan. The plan allows participants to withdraw amounts during employment (an "in-service withdrawal") and to elect, upon retirement, to receive either a lump sum payment, or instalment payments for a period of up to ten years. Decisions concerning withdrawals may be made each year at the time that the participant determines the amount of compensation to be deferred for the year. The plan offers an array of mutual funds for investment from which the plan participant may chose. Participants may change their investment directions from time to time during the plan year. The mutual fund investments are subject to market gains and losses.

Compensation Awarded to the Named Executive Officers in Fiscal 2012

The compensation paid to the Named Executive Officers for the fiscal year ended September 30, 2012 was determined according to the Company's executive compensation policy described earlier in this document that applies to all executives. All compensation was paid in accordance with the policy.

Performance Graph

The following graph compares the annual variations in the total cumulative return on CGI's Class A subordinate voting shares with the total cumulative return of the S&P/TSX and NASDAQ stock indexes for the past five fiscal years of the Company.



Value of \$100 invested on September 30, 2007

CGI's approach to compensation, as discussed earlier in this document under the heading *Executive Compensation Policy*, is designed to promote long-term growth and profitability, with a strong focus on share ownership and profit-sharing. CGI's management team, including the Named Executive Officers, are compensated on the basis of metrics that the Company considers to be fundamental, namely the Company's growth and profitability, instead of on factors tied to the performance of the Company's shares in the market.

For the four-year period ended on September 30, 2011, the compensation paid to the CEO and CFO increased reflecting CGI's need to adjust compensation levels for the Company's Named Executive Officers to reflect global markets in order to ensure that CGI is able to attract and retain the highly qualified staff it needs to compete effectively. For 2012 the total compensation paid to the CEO and CFO year over year declined by approximately 50% reflecting the operation of CGI's compensation policy based on financial performance.

Over the five-year period, the price of the Company's shares increased by more than 130%. The percentage increase in the share price is extremely significant when compared to the evolution of the total compensation of the CEO and CFO over the same period, which declined.

As mentioned earlier in this document, the compensation awarded to the Named Executive Officers is well in line with the Company's compensation policy. The resulting aggregate compensation paid to the Named Executive Officers for fiscal 2012 is below the median of the reference group at approximately 52% of the median target total compensation of the reference group, resulting from the operation of the pay for performance policy.

Compensation of Named Executive Officers

The *Net Total Compensation Table* and the *Summary Compensation Table* that follow show detailed information on actual net total compensation, and total compensation for regulatory purposes, respectively, for Serge Godin, *Founder and Executive Chairman of the Board*, Michael E. Roach, *President and Chief Executive Officer*, R. David Anderson, *Executive Vice-President and Chief Financial Officer*, as well as for the two other Named Executive Officers for services rendered during the fiscal years ended September 30, 2010, 2011, and 2012.

The regulatory requirements that determine the content of the *Summary Compensation Table* result in a substantial overstatement of the compensation awarded to CGI's Named Executive Officers. The overstatement arises because the regulation requires that for stock options and share based compensation amounts, the amount of compensation shown must be the grant date fair value. In the case of CGI's compensation policies, all long term incentive compensation, including all stock option awards and share based compensation awards, is performance-based. To the extent that stock options and PSUs awarded for the fiscal year in question fail to become eligible to vest as a result of the degree of achievement of performance objectives, the stock options and PSUs are forfeited and cancelled.

The following table shows the amount by which the combined value of the stock option grant and of the PSU award must be reduced to reflect the net compensation amount attributable to the long-term incentive component of compensation disclosed in the *Summary Compensation Table* later in this document. The table is necessary to communicate the true, actual total compensation earned by each of the Named Executive Officers.

Net Total Compensation Table

Name and Principal Position as at September 30, 2012	Year	Summary Compensation Table	Performance- based vesting reduction ^(a) (\$)	Net Total compensation (\$)
		Total compen- sation (\$)		
Serge Godin Founder and Executive Chairman of the Board	2012	4,760,013	(2,383,134)	2,376,879
	2011	6,089,507	(1,460,530)	4,628,977
	2010	5,112,575	(1,082,813)	4,029,762
André Imbeau Founder, Vice-Chairman of the Board and Corporate Secretary	2012	1,852,967	(847,531)	1,005,436
	2011	2,300,459	(475,323)	1,825,136
	2010	1,862,902	(324,844)	1,538,058
Michael E. Roach President and Chief Executive Officer	2012	5,690,246	(2,951,178)	2,739,068
	2011	6,096,386	(1,460,530)	4,635,856
	2010	5,582,423	(1,191,904)	4,390,519
R. David Anderson Executive Vice- President and Chief Financial Officer	2012	2,317,488	(1,066,232)	1,251,256
	2011	2,339,789	(489,724)	1,850,065
	2010	2,151,905	(397,031)	1,754,874
George D. Schindler President, United States	2012	1,899,247	(637,973)	1,261,274
	2011	1,568,109	(258,780)	1,309,329
	2010	1,549,121	(205,734)	1,343,387

- (a) The vesting eligibility conditions for the stock options granted and PSUs awarded as part of the long-term incentive for the fiscal year ended September 30, 2012 were based solely on the Company's performance. On the basis of the degree of achievement of profitability and growth objectives, 35.6% of the PSUs and 42.2% of the stock options became eligible to vest. Stock options and PSUs that did not become eligible to vest based on such performance were forfeited and cancelled. The reduction amount shown is the dollar value required to be deducted from the fair value of the grants and awards to reflect accurately the net value of the stock option grant and PSU award for the Named Executive Officer as part of his or her total compensation for the 2012 fiscal year. 62.5% of the stock options became eligible to vest in each of 2010 and 2011. See the heading *Stock Options Granted in Fiscal 2012* earlier in this document.

The following table shows the compensation paid to the Company's Named Executive Officers for regulatory purposes.

As noted above, securities regulations require that for stock options and share based compensation amounts, the amount of compensation to be disclosed must be the grant date fair value. In the case of CGI's compensation policies, all long term incentive compensation, including all stock option awards and share based compensation awards are performance-based. As a significant number of stock options and PSUs awarded for the fiscal year in question did not become eligible to vest as a result of the degree of achievement of performance objectives, certain stock options and PSUs have been forfeited and cancelled. To that extent the total compensation amount shown in this table overstates substantially the true total compensation received by the Company's Named Executive Officers.

Summary Compensation Table

Name and Principal Position as at September 30, 2012	Year	Salary (\$)	Share-based awards ^(a) (\$)	Option-based awards ^(b) (\$)	Non-equity incentive plan compensation Annual incentive plans (\$)	Pension value (\$)	All other compensation ^(c) (\$)	Total compensation (\$)
Serge Godin Founder and Executive Chairman of the Board	2012	995,900	3,700,518	-	-	-	46,688	4,760,013
	2011	995,900	692,124	3,202,623	1,160,000	-	38,860	6,089,507
	2010	925,000	-	2,887,500	1,261,175	-	38,900	5,112,575
André Imbeau Founder, Vice- Chairman of the Board and Corporate Secretary	2012	467,397	1,316,042	-	-	-	27,339	1,852,967
	2011	592,500	521,161	746,367	415,000	-	25,431	2,300,459
	2010	542,400	-	866,250	428,233	-	26,019	1,862,902
Michael E. Roach President and Chief Executive Officer	2012	1,005,806	4,582,575	-	-	-	49,040	5,690,246
	2011	995,900	692,124	3,202,623	1,160,000	-	45,739	6,096,386
	2010	952,677	-	3,176,250	1,409,054	-	44,442	5,582,423
R. David Anderson Executive Vice- President and Chief Financial Officer	2012	600,836	1,655,640	-	-	-	36,733	2,317,488
	2011	592,500	-	1,305,931	415,000	-	26,358	2,339,789
	2010	567,774	-	1,058,750	495,908	-	29,473	2,151,905
George D. Schindler President, United States ^(d)	2012	607,082	-	1,103,760	146,778	2,519	41,627	1,899,247
	2011	542,630	-	690,080	295,980	2,467	36,952	1,568,109
	2010	489,334	-	548,625	473,660	2,602	34,900	1,549,121

- (a) The award date fair value used for determining the number of PSUs awarded to Named Executive Officers as a component of their total compensation was determined using the pricing model suggested by Towers Watson that yielded a grant date fair value of \$14.78. The fair value of the PSUs for accounting purposes was the market value of the Class A subordinate voting shares on the award date resulting in an award date fair value for accounting purposes of \$19.71. Please refer to the heading *Award Date Fair Value* earlier in this document for an explanation of the differences between fair values, and the reasons behind the choice of valuation methods.
- (b) The grant date fair value used for determining the number of stock options issued to Named Executive Officers as a component of their total compensation was determined using the Black-Scholes stock option pricing model that yielded a grant date fair value of \$5.52 for 2012. The binomial pricing model was used for 2011 and 2010 and yielded values of \$4.39 and \$4.20 respectively. The fair value of the stock options for accounting purposes was determined using the Black-Scholes stock option pricing model that yielded a grant date fair value of \$3.63, \$4.31, and \$4.67 in 2010, 2011 and 2012 respectively. Please refer to the heading *Grant Date Fair Value* earlier in this document for an explanation of the difference between fair values, and the reasons behind the choice of valuation models.
- (c) This amount includes the Company's contribution under the CGI Share Purchase Plan, the contribution towards health insurance benefits and related insurance coverage, but excludes the value of perquisites and other personal benefits which in the aggregate is less than \$50,000 or 10% of the aggregate salary and bonus for the particular fiscal year which is therefore not required to be disclosed.
- (d) Mr. Schindler is paid in U.S. dollars. The amounts shown (other than those for option-based compensation) are in Canadian dollars converted on the basis of the average exchange rate used to present expense information in the Company's consolidated annual audited financial statements which was CAD\$1.0407, CAD\$0.9866, and CAD\$1.00740 for each U.S. dollar in 2010, 2011 and 2012 respectively. Please refer to the disclosure concerning the foreign exchange rates used for financial reporting purposes on page 13 of the *Management's Discussion and Analysis* for the fiscal year ended September 30, 2012 under the heading *Foreign Exchange*.

Separation Policy for Certain Named Executive Officers

The Named Executive Officers who are part of the Company's Corporate Services were in past years covered by the Company's separation policy for corporate services that applied to pre-identified officers. The separation policy provided for compensatory payments to such Named Executive Officers in the event of a termination without cause following a change of control of the Company. The separation policy was rescinded by the Board of Directors on the recommendation of the Committee on April 24, 2012 and the Named Executive Officers who are part of the Company's Corporate Services are no longer covered by severance arrangements.

Key Features of CGI's Long Term Incentive Plans

Share Option Plan

The Share Option Plan is governed by the Board of Directors. The Committee makes recommendations to the Board of Directors in relation to the Share Option Plan and to grants of stock options and is responsible for overseeing its administration. The Board of Directors has the ultimate and sole power and authority to grant stock options under the Share Option Plan and interpret the terms and conditions of stock options that have been granted. The Board of Directors grants stock options by identifying the members, directors, officers and consultants who are to receive stock options, including the number of stock options, the subscription price, the stock option period and the vesting conditions. The determinations, designations, decisions and interpretations of the Board of Directors are binding and final. Management of the Company looks after its day to day administration.

The total number of Class A subordinate voting shares authorized to be issued under the Share Option Plan is 53,600,000 representing, as at December 10, 2012, 17.42% of the currently issued and outstanding Class A subordinate voting shares and Class B shares. The maximum number of stock options that may be issued in the aggregate to any single individual under the Share Option Plan cannot exceed 5% of the total number of Class A subordinate voting shares and Class B shares issued and outstanding at the time of the grant. The number of Class A subordinate voting shares issuable to insiders in aggregate, at any time, pursuant to the Share Option Plan and any other securities-based compensation arrangement cannot exceed 10% of the Class A subordinate voting shares and Class B shares issued and outstanding. The number of Class A subordinate voting shares issued to insiders within any one-year period pursuant to the Share Option Plan and any other securities-based compensation arrangement cannot exceed 10% of the Class A subordinate voting shares and Class B shares issued and outstanding. As at December 10, 2012, stock options for an aggregate of 21,585,156 Class A subordinate voting shares are outstanding pursuant to the Share Option Plan, representing 7.01% of the currently issued and outstanding Class A subordinate voting shares and Class B shares.

Under the Share Option Plan, the Board of Directors may at any time amend, suspend or terminate the Share Option Plan, in whole or in part, subject to obtaining any required approval from the *Toronto Stock Exchange*, the Company's shareholders or other regulatory authorities. More detailed information on the rules for amending the Share Option Plan is provided later in this document under the heading *Amending Formula*. Stock options may not be assigned, pledged or otherwise encumbered with the exception of bequests made in wills or otherwise in accordance with the laws relating to successions.

Under the Share Option Plan, the Board of Directors, on the recommendation of the Committee may grant to eligible participants stock options to purchase Class A subordinate voting shares. The exercise price of the stock options granted is determined by the Board of Directors and cannot be lower than the closing price for Class A subordinate voting shares on the *Toronto Stock Exchange* on the trading day immediately preceding the day on which the stock option is granted. The Board of Directors also determines the applicable stock option period and vesting rules.

Employees, officers, and consultants of the Company and its subsidiaries and associates, and directors of the Company may receive stock options under the Share Option Plan. It is not the Company's policy at this time to issue stock options to consultants and no stock options were issued to consultants in fiscal 2012.

Stock options that have been granted under the Share Option Plan cease to be exercisable upon the expiry of the term which cannot exceed ten years from the date of the grant.

Upon resignation or termination, stock options that have not vested are forfeited, and vested stock options must be exercised during a 90 day period.

Employees who retire, directors who leave the Board of Directors, and the estates of deceased stock option holders benefit from the automatic vesting of stock options that have become eligible to vest in accordance with performance-based vesting rules, but that have yet to vest due to time-based vesting. Those stock options must be exercised within 90 days in the case of retirement or 180 days if the stock option holder dies, subject to the extension of the exercise periods explained in more detail below. The Board of Directors, on the recommendation of the Committee, has the discretion to vary these periods and to accelerate the vesting period, provided that the maximum term for any stock option is ten years from the time it is granted.

The Company does not currently provide any financial assistance to participants under the Share Option Plan.

Extension of Exercise Periods

Blackout Periods

In keeping with CGI's *Policy on Insider Trading and Blackout Periods*, stock options must not be exercised by insiders when a trading blackout period is in effect.

The policy is designed to ensure that reporting insiders and CGI members who have access to undisclosed material information regarding CGI comply with insider trading laws. Under the policy, those who normally have access to undisclosed material information may only trade in CGI securities within the period beginning on the third business day following the release of CGI's quarterly financial results and fiscal year-end results and ending at the close of business on the fourteenth calendar day preceding the end of the following fiscal quarter.

Blackout periods may also be prescribed from time to time by the Company's Disclosure Policy Committee as a result of special circumstances relating to the Company when insiders should be precluded from trading in its securities.

If the date on which a stock option expires occurs during a blackout period or within ten business days after the last day of a blackout period, the date of expiry of the stock option will be the tenth business day following the termination of the blackout period.

Extensions for Length of Service

Retiring members and retiring directors, as well as the estates of deceased stock option holders earn one day of extension for every three days of service to the Company, up to a maximum extension period of three years. The extension period is earned pro-rata day by day during the stock option holder's service to the Company. The extension period for length of service cannot extend the life of a stock option beyond the period of time determined by the Board of Directors as the stock option term which may not exceed ten years from the date of grant.

Amending Formula

The Board of Directors, on the recommendation of the Committee, may amend, suspend or terminate the Share Option Plan, or amend any term of an issued and outstanding stock option provided that no amendment, suspension or termination may be made without:

- obtaining approval of the shareholders of the Company, except when approval is not required under the terms of the plan, as explained in more detail below;
- obtaining any required approval of any applicable regulatory authority or stock exchange; and

- in the case of issued and outstanding stock options, obtaining the consent or, subject to regulatory approval, the deemed consent of the concerned optionee in the event that the amendment materially prejudices the optionee's rights.

Shareholder approval is not required with respect to the following amendments, in as much as the amendment is in accordance with applicable regulatory requirements:

- changing the eligibility for, and limitations on, participation in the Share Option Plan;
- modifying the periods during which stock options may be exercised, subject to (i) the stock option period terminating on or before the tenth anniversary of the date of the grant of the stock option, and (ii) a maximum stock option exercise period extension of three years;
- changing the terms on which stock options may be granted and exercised including, without limitation, the provisions relating to the price at which shares may be purchased under the plan, vesting, expiry, assignment and the adjustments to be made in the event of certain changes such as stock splits that affect all shareholders;
- making amendments that are necessary to comply with applicable law or the requirements of any applicable regulatory authority or stock exchange;
- correcting or rectifying any ambiguity, defective provision, error or omission in the Share Option Plan; and
- changing the provisions of the Share Option Plan that relate to its administration.

Finally, any amendment that would reduce the subscription price of an issued and outstanding stock option, lead to a significant or unreasonable dilution of the outstanding shares or provide additional material benefits to insiders of the Company automatically requires shareholder approval.

In the case of an amendment that would reduce the subscription price of any outstanding stock option held by an insider or would extend the expiry date of stock options held by insiders beyond the exercise periods contemplated under the Share Option Plan, approval of the shareholders of the Company, other than the relevant insiders, must be obtained.

Equity Compensation Plan Information as of September 30, 2012

The following table shows the total number of shares to be issued upon the exercise of outstanding stock options under all of CGI's equity-based compensation plans, their weighted average exercise price, and the number of shares available for future issuance.

Plan Category	Number of Class A subordinate voting shares to be issued upon the exercise of outstanding stock options (#)	Weighted-average exercise price of outstanding stock options (\$)	Number of Class A subordinate voting shares remaining available for future issuance under equity compensation plans (excluding shares issuable under outstanding stock options) (#)
Equity compensation plans approved by securityholders	18,617,230	\$12.69	19,759,508
Equity compensation plans not approved by securityholders	-	-	-
Total	18,617,230	\$12.69	19,759,508

Performance Share Unit Plan

The PSU Plan is governed by the Board of Directors and the Committee makes recommendations to the Board of Directors in relation to the PSU Plan and to awards of PSUs. The Board of Directors has the ultimate and sole power and authority to award PSUs under the PSU Plan and to interpret the terms and conditions of PSUs that have been awarded. The Committee is responsible for the administration of the PSU Plan, and management looks after its day to day implementation.

Under the PSU Plan, the Board of Directors may at any time amend, suspend or terminate the PSU Plan, in whole or in part. PSUs may not be assigned, pledged or otherwise encumbered with the exception of bequests made in wills, or otherwise in accordance with the laws relating to successions.

Under the PSU Plan, the Board of Directors, on the recommendation of the Committee, may award PSUs to executives and to other participants that it determines are eligible. Each PSU entitles the participant to receive one Class A subordinate voting share, subject to the degree of achievement of the profitability and revenue growth objectives set by the Board of Directors as part of the Company's annual budget and strategic planning process. The number of PSUs awarded is determined based on the dollar amount of long-term compensation required to align the participant's total compensation with the Company's compensation policy, and takes into account Stock Options granted under the Company's Share Option Plan.

As soon as practicable after an award of PSUs, the plan trustee purchases in the open market the shares required to be delivered to the participants on settlement. The plan trustee holds the shares in trust for the purposes of the PSU Plan.

On each settlement entitlement date, the PSU Plan participants receive from the plan trustee a number of Class A subordinate voting shares equal to the number of PSUs that have vested. Participants may elect to defer the settlement of PSUs to a later date not later than the expiry date of the PSUs.

Upon resignation or termination, PSUs that have not become eligible to vest are forfeited, and PSUs that have become eligible to vest are settled on the date of resignation or termination, as the case may be.

Participants who retire and the estates of deceased participants benefit from the automatic vesting of PSUs that have become eligible to vest in accordance with performance-based vesting rules, but that have yet to vest due to time-based vesting. Those PSUs are settled on the date of retirement or death, as the case may be and the plan trustee remits the Class A subordinate voting shares as soon as practicable thereafter.

PSUs expire on December 31 of the third calendar year following the end of the fiscal year during which the PSU Award is made. On the expiry date, all remaining PSUs in the participant's account that have vested are automatically settled.

The Company does not provide any financial assistance to participants under the PSU Plan.

COMPENSATION OF DIRECTORS

Board of Directors and Standing Committee Fees

Messrs. Serge Godin, André Imbeau and Michael E. Roach are not compensated for their roles as directors of the Company. The compensation paid to Messrs. Godin, Imbeau and Roach is disclosed in the *Net Total Compensation Table* and the *Summary Compensation Table* earlier in this document.

The compensation paid to outside directors for the year ended September 30, 2012 remained unchanged from the previous fiscal year ended September 30, 2011, and was based on the elements of directors' compensation set out in the following table:

Component	Amount
Board retainer	\$75,000
Lead Director retainer	\$15,000
Committee annual retainer	
Members	\$2,000
Audit and Risk Management Committee Chair	\$12,500
Other Committee Chairs	\$10,000
Per-meeting fees	
Board of Directors	\$1,500
Audit and Risk Management Committee	\$2,500
Human Resources Committee	\$2,500
Corporate Governance Committee	\$2,500
Other fees	
Long distance travel allowance per return trip	\$5,000

The first \$25,000 in retainer fees is paid as a rule in DSUs. However, a DSU participant may elect to receive the equivalent of his or her mandatory portion in cash instead of in DSUs if i) the participant is not a resident of Canada for income tax purposes, or ii) the participant purchases in the open market the same number of CGI subordinate voting shares he or she would have received in the form of DSUs, or iii) the participant is otherwise exempted by the Board of Directors.

For the year ended September 30, 2012 the compensation paid to the directors was as follows:

Directors' Compensation Table

Name	Fees earned (\$)	Share-based awards ^(a) (\$)	Option-based awards ^{(b)(c)} (\$)	All other compensation (\$)	Total (\$)
Claude Boivin	104,500	25,000	37,122	-	141,622
Bernard Bourigeaud ^(d)	116,827	-	22,080	-	138,907
Jean Brassard	102,000	77,000	62,889	-	164,889
Robert Chevrier	110,000	85,000	67,123	-	177,123
Dominic D'Alessandro	100,500	77,000	62,889	-	163,389
Thomas P. d'Aquino	115,182	94,682	73,471	-	188,653
Paule Doré	90,000	25,000	35,334	-	125,334
Richard B. Evans ^(d)	126,884	77,258	63,397	-	190,281
Serge Godin	Mr. Godin's compensation is set out in the <i>Net Total Compensation Table</i> and in the <i>Summary Compensation Table</i> earlier in this document				
André Imbeau	Mr. Imbeau's compensation is set out in the <i>Net Total Compensation Table</i> and in the <i>Summary Compensation Table</i> earlier in this document				
Gilles Labbé	107,482	54,491	50,298	-	157,780
Eileen A. Mercier	113,339	37,500	44,635	-	157,974
Donna S. Morea ^(d)	58,714	49,687	37,216	-	95,930
Michael E. Roach	Mr. Roach's compensation is set out in the <i>Net Total Compensation Table</i> and in the <i>Summary Compensation Table</i> earlier in this document				

- (a) The column shows the dollar value of DSUs issued to the director. The DSUs paid are in lieu of a portion of the fees earned by the director shown in the fees column based on the director's decision to receive a percentage of his or her retainer fees in DSUs instead of cash. The DSU value is therefore already included in the fee remuneration shown in the fee column and not in addition to that remuneration.
- (b) 4,000 performance-based stock options are granted to the outside directors annually. The remaining stock options are issued in proportion to the DSUs that the director chooses to receive. See the heading *Stock Options and Deferred Stock Units Granted to Directors* below. All such stock options are valued for the purpose of the Directors' Compensation Table using the same Black-Scholes stock option pricing model as used for Named Executive Officers in the *Summary Compensation Table* earlier in this document. The assumed grant date fair value is therefore \$5.52 for 2012. The fair value of the stock options for accounting purposes was determined using the Black-Scholes stock option pricing model that yielded a grant date fair value of \$4.67 for 2012. Please refer to the heading *Grant Date Fair Value* earlier in this document for an explanation of the difference in fair values.
- (c) 35.6% of the 4,000 annual performance-based stock option grant became eligible to vest in the 2012 fiscal year. Stock options that did not become eligible to vest based on such performance were forfeited and cancelled. A proportionate reduction amount of \$14,216 is required to be deducted from the grant date fair value for the annual grant of 4,000 stock options to reflect accurately the net value of the stock option grant for the director as part of his or her total compensation for the 2012 fiscal year. See the heading *Stock Options Granted in Fiscal 2012* earlier in this document.
- (d) Mrs. Morea and Messrs. Bourigeaud and Evans are paid in U.S. dollars at par, based on the same fee arrangement as other outside directors. The amounts shown (other than those for option-based compensation) are in Canadian dollars converted on the basis of the average exchange rate used to present expense information in the Company's consolidated annual audited financial statements which was CAD\$1.00740 for each U.S. dollar for 2012. Please refer to the disclosure concerning the foreign exchange rates used for financial reporting purposes on page 13 of the Management's Discussion and Analysis for the fiscal year ended September 30, 2012 under the heading Foreign Exchange.

Stock Options and Deferred Stock Units Granted to Directors

Members who join the Board of Directors for the first time are entitled to a grant of 4,000 stock options on the date of their election or appointment. In addition, members of the Board of Directors receive annually a grant of 4,000 stock options. These stock options are granted to directors under the Share Option Plan.

For the fiscal year ended September 30, 2012, members of the Board of Directors were entitled to choose to receive part or all of their retainer fees in DSUs. The number of DSUs granted to a member is equal to the amount of the retainer due to be paid in DSUs divided by the closing price of CGI's Class A subordinate voting shares on the *Toronto Stock Exchange* on the day immediately preceding the payment date. Once granted, the value at any time of the DSUs credited to a director's DSU account is determined based on the market price of CGI's Class A subordinate voting shares.

Directors are required to receive the first \$25,000 of the annual retainer entirely in DSUs. However, a DSU participant may elect to receive the equivalent of his or her mandatory portion in cash instead of in DSUs if i) the participant is not a resident of Canada for income tax purposes or ii) the participant purchases in the open market the same number of CGI Class A subordinate voting shares he or she would have received in the form of DSUs, or iii) the participant is otherwise exempted by the Board of Directors.

The value of DSUs is payable only upon the director ceasing to be a member of the Board of Directors. The amount paid corresponds to the number of DSUs accumulated by the member multiplied by the closing price of CGI's Class A subordinate voting shares on the payment date selected by the director. Directors may select a payment date for the DSUs subsequent to the date on which they cease to be members of the Board of Directors, but such date cannot be later than December 31 of the calendar year following the year in which they leave the Board of Directors. The amount is paid in cash and is subject to applicable withholding taxes.

For each DSU acquired in lieu of cash retainer fees, the director receives two stock options under the Share Option Plan. Each stock option is issued with a ten-year exercise period and vests at the time of grant. The exercise price is equal to the closing price of CGI's Class A subordinate voting shares on the *Toronto Stock Exchange* on the trading day immediately preceding the date of the grant.

The vesting of the 4,000 stock options granted to the members of the Board of Directors during the year ended September 30, 2012 under the Share Option Plan depended on the degree of achievement of profitability and growth objectives. The performance targets required to be met in order for the stock options to vest were the same as those set for the Named Executive Officers. Based on the degree of achievement of profitability and growth objectives for the fiscal year ended September 30, 2012, 35.6% of the stock options became eligible to vest. One-quarter of the stock options eligible to vest based on the achievement of the objectives vested on November 27, 2012 when the results for the fiscal year ended September 30, 2012 were approved by the Board of Directors, one-quarter will vest on October 1, 2013, one-quarter will vest on October 1, 2014, and the final quarter will vest on October 1, 2015. Stock options that did not become eligible to vest as a result of the vesting conditions were forfeited and cancelled.

Stock options Held by Directors

A table showing all outstanding stock options held by the members of the Board of Directors who are not Named Executive Officers as at September 30, 2012 as well as the in-the-money-value of such stock options and the aggregate value of DSUs that are vested but remaining unpaid is provided in Appendix B.

Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option-based awards – Value vested during the year (\$)	Share-based awards Value vested during the year ^(a) (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Claude Boivin	17,681 ^{(b)(c)}	25,000	-
Bernard Bourigeaud	26,232 ^{(b)(c)}	-	-
Jean Brassard	17,814 ^{(b)(c)}	77,000	-
Robert Chevrier	17,841 ^{(b)(c)}	85,000	-
Dominic D'Alessandro	7,350 ^{(b)(c)(d)}	77,000	-
Thomas P. d'Aquino	17,889 ^{(b)(c)}	94,682	-
Paule Doré	8,968 ^{(b)(c)}	25,000	-

Name	Option-based awards – Value vested during the year (\$)	Share-based awards Value vested during the year ^(a) (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Richard B. Evans	15,117 ^{(b)(c)}	77,258	-
Serge Godin	Mr. Godin's compensation is set out in the <i>Net Total Compensation Table</i> and in the <i>Summary Compensation Table</i> earlier in this document		
André Imbeau	Mr. Imbeau's compensation is set out in the <i>Net Total Compensation Table</i> and in the <i>Summary Compensation Table</i> earlier in this document		
Gilles Labbé	7,268 ^{(b)(c)(d)}	54,491	-
Eileen A. Mercier	17,741 ^{(b)(c)}	37,500	-
Donna S. Morea	2,309,812 ^{(b)(c)}	49,687	-
Michael E. Roach	Mr. Roach's compensation is set out in the <i>Net Total Compensation Table</i> and in the <i>Summary Compensation Table</i> earlier in this document		

- (a) The share-based awards are DSUs. See the heading *Stock Options and Deferred Stock Units Granted to Directors* earlier in this document.
- (b) The stock options that vested during the 2012 fiscal year were the performance-based stock options granted in the 2008, 2009, and 2010 fiscal years for which the exercise prices were \$9.31, \$12.54 and \$15.49 respectively. One-third of the 2008 and 2009 stock options vested on October 1, 2011 when the closing price of the shares was \$19.71 and one-third of the 2010 stock options vested on November 9, 2011 when the price of the shares was \$20.15.
- (c) The remaining stock options are stock options that directors received as a result of the receipt of DSUs. See the heading *Stock Options and Deferred Stock Units Granted to Directors* earlier in this document. Those stock options vested at the time of grant. Since the stock option exercise price is equal to the closing price of the shares on the *Toronto Stock Exchange* on the trading day preceding the date of grant, the value at the time of vesting reflects the positive difference, if any, between the closing price of the shares on the grant date and the exercise price.
- (d) Messrs. d'Alessandro and Labbé also hold performance-based stock options granted on January 27, 2010 with an exercise price of \$14.69. Those stock options had the same vesting conditions as the 2009 performance-based stock options one third of which vested on October 1, 2011 when the price of the shares was \$19.71.

INDEBTEDNESS OF DIRECTORS AND NAMED EXECUTIVE OFFICERS

As of December 10, 2012, no directors, Named Executive Officers, former directors or former senior officers of the Company were indebted to the Company.

REPORT OF THE CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee of the Board of Directors has responsibility for all corporate governance matters including making recommendations to the Board of Directors in relation to composition of the Board of Directors and its standing committees. The Committee also administers the self-assessment process for the Board, its standing committees and individual directors.

During fiscal 2012, the Committee was composed of Mrs. Eileen A. Mercier, Chair of the Committee, and Mr. Thomas P. d'Aquino, Lead Director, both of whom are independent directors. The Board of Directors determined Mrs. Paule Doré to be an independent member on September 25, 2012 and appointed her to the Committee at that time. The Committee met four times during fiscal 2012.

The role and responsibilities of the Chair of the Committee are described under the heading *Role and Responsibilities of the Lead Director and Standing Committee Chairs* later in this document.

Corporate Governance Practices

Adherence to high standards of corporate governance is a hallmark of the way CGI conducts its business. The disclosure that follows sets out CGI's corporate governance practices.

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

CGI's Shareholders

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. Shareholders have the option of withholding their votes from individual directors, should they wish to do so.

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. Messrs. Serge Godin and André Imbeau, respectively CGI's *Founder and Executive Chairman of the Board*, and CGI's *Founder, Vice-Chairman of the Board and Corporate Secretary*, are members of the Board of Directors of CGI and, as of December 10, 2012, beneficially owned, directly or indirectly, or exercised control or direction over, shares of CGI representing respectively 46.98% and 7.05% of the votes attached to all of CGI's outstanding voting shares.

Mandate, Structure and Composition of the CGI Board of Directors

The Committee and the Board of Directors are of the view that the size and composition of the Board of Directors and its standing committees are well suited to the circumstances of the Company and allow for the efficient functioning of the Board of Directors as an independent decision-making body.

Board of Directors and Committee Charters

Each standing committee operates according to its charter approved by the Board of Directors which sets out the committee's duties and responsibilities.

The Board of Directors charter and the charter of each of the standing committees require that the charters be reviewed annually. As part of that process each standing committee undertakes a review of its mandate and tables any recommendations for changes with the Corporate Governance Committee at its September meeting each year. The Committee reviews the submissions of the standing committees and also reviews the Board of Directors charter. The Committee then makes a recommendation to the Board of Directors based on the

conclusion of the review. The Board of Directors takes the Committee's recommendation into account in making such changes as it determines to be appropriate.

The Board of Directors and standing committee charters are contained in CGI's *Fundamental Texts* which may be found as Appendix A to CGI's *2012 Annual Information Form* which was filed with the Canadian securities regulatory authorities and which is available at www.sedar.com and on CGI's web site at www.cgi.com. A copy of the *2012 Annual Information Form* will be provided promptly to shareholders upon request. The charters are hereby incorporated by reference from the *Fundamental Texts* as follows:

- Board of Directors Charter.....page 18
- Corporate Governance Committee Charter page 27
- Human Resources Committee Charter page 33
- Audit and Risk Management Committee Charter.....page 38

The following table summarizes the structure, responsibilities and membership of each of the Company's standing committees.

COMMITTEE	MEMBERSHIP
Audit and Risk Management Committee Composed entirely of independent directors, the Audit and Risk Management Committee: is mandated by the Board of Directors to recommend the appointment of the external auditors and the terms of their engagement; reviews with the auditors the scope of the audit; reviews with the auditors and management the effectiveness of the Company's accounting policies and practices, the Company's internal control procedures, programs and policies and the adequacy and effectiveness of the Company's internal controls over the accounting and financial reporting systems within the Company; reviews related party transactions; and reviews and recommends to the Board of Directors the approval of the Company's interim and audited annual consolidated financial statements and all public disclosure documents containing audited or unaudited financial information.	Gilles Labbé (Chair) Claude Boivin Jean Brassard Richard B. Evans
Corporate Governance Committee Composed entirely of independent directors, the Corporate Governance Committee: is responsible for developing the Company's approach to governance issues and the Company's response to corporate governance requirements and guidelines; reviews the composition of the Board of Directors, its standing committees and members and recommends Board nominees; carries out the annual Board of Directors self-assessment process; oversees the orientation and continuing education program for directors; and helps to maintain an effective working relationship between the Board of Directors and management.	Eileen A. Mercier (Chair) Thomas P. d'Aquino Paule Doré
Human Resources Committee Composed entirely of independent directors, the Human Resources Committee: is responsible for reviewing the compensation of certain senior executives of the Company and for making recommendations to the Board of Directors in respect thereto; and performs functions such as reviewing the Company's succession planning and such other matters that the Committee may consider suitable with respect to compensation or as may be specifically directed by the Board of Directors from time to time.	Robert Chevrier (Chair) Bernard Bourigeaud Dominic D'Alessandro

Role and Responsibilities of the Executive Chairman and of the CEO

Elected by the shareholders, the Board of Directors has delegated to management the responsibility for day-to-day management of the business of the Company in accordance with the Company's *Operations Management Framework* which has been adopted by the Board of Directors. The *Operations Management Framework* sets out the overall authority of the Company's management team as well as the level of management approval required for the various types of operations and transactions that make up the ordinary course of the Company's business.

The Executive Chairman's role allows Mr. Serge Godin to devote his time to the development and implementation of strategic initiatives, including strengthening the Company's partnerships with existing clients and fostering key relationships that lead to new business, including large outsourcing contracts and strategic acquisitions. The nature of the Executive Chairman's responsibilities are such that he is a senior executive officer of the Company and is not an independent chairman of the Board.

All operational and corporate functions, other than the office of the Chairman and the corporate secretariat which report to the Executive Chairman, report to the CEO who reports directly to the Board of Directors. The CEO, jointly with the management team, develops the strategies and corporate objectives which are approved by the Board of Directors. Each year the Human Resources Committee assesses the performance of the management team in achieving the objectives and makes recommendations to the Board of Directors in relation to the vesting of stock options and PSUs and the payment of bonuses to the Named Executive Officers under the Company's Profit Participation Plan.

Taken together, the *Operations Management Framework* and the corporate objectives approved by the Board of Directors annually define the scope of management's authority and responsibilities, including those of the Executive Chairman and of the CEO, in relation to the Company's day to day operations and the attainment of its objectives. The Executive Chairman and the CEO table reports to the Board of Directors at each regularly scheduled Board meeting and their performance relative to objectives is assessed annually. Ultimately, the Board of Directors reports to the shareholders at the Annual General Meeting of Shareholders.

Role and Responsibilities of the Lead Director and Standing Committee Chairs

Lead Director

Mr. Thomas P. d'Aquino, an independent member of the Board of Directors, is currently CGI's Lead Director.

The Charter of the Board of Directors, which is incorporated by reference in this *Management Proxy Circular* (see the heading *Mandate, Structure and Composition of the CGI Board of Directors* earlier in this document), requires that the Board of Directors appoint a Lead Director from among the independent directors. The Lead Director is responsible for ensuring that the Board of Directors acts independently of the Company's management and is alert to its obligations to the shareholders.

In fulfilling his responsibilities, the Lead Director provides input to the Executive Chairman in the preparation of Board of Directors meeting agendas, sets the agenda for and chairs the meetings of the independent directors, and leads the annual self-evaluation process for the Board of Directors.

In conjunction with the Executive Chairman, the Lead Director facilitates the effective and transparent interaction of Board members and management. The Lead Director also provides feedback to the Executive Chairman and acts as a sounding board with respect to strategies, accountability, relationships and other matters.

Standing Committee Chairs

The role and responsibilities of each of the Chairs of the standing committees of the Board of Directors are set forth in the charter of each committee. The standing committee charters are incorporated by reference in this *Management Proxy Circular* (see the heading *Mandate, Structure and Composition of the CGI Board of Directors* earlier in this document).

The Chair of each committee is responsible for leading the committee's work and, in that capacity, ensuring that the committee's structure and mandate are appropriate and adequate to support the fulfilment of its responsibilities, that the committee has adequate resources as well as timely and relevant information to support its work, and that the scheduling, organization and procedures of committee meetings provide adequate time for the consideration and discussion of relevant issues. The committee Chair is responsible for ensuring that the effectiveness of the committee is assessed on a regular basis.

The committee chair presides the committee's meetings and works with the Corporate Secretary, the Executive Chairman and the Company's concerned executive officers in setting both the calendar of the committee's meetings and the agendas for each meeting and has the authority to convene special meetings of the committee. The committee Chair acts as liaison with the Company's management in relation to the committee's work program and ensures that the committee reports to the full Board of Directors at each subsequent meeting of the Board of Directors in relation to the committee's deliberations, decisions and recommendations.

Criteria for Tenure on the CGI Board of Directors

Each year, the Committee reviews all of the Company's corporate governance practices as part of an exercise that takes place well in advance of the annual preparation and review of the Company's *Management Proxy Circular*, so that such practices, including those that govern the conditions for tenure on the Board of Directors, receive careful consideration apart from the year-end and annual general meeting preparation cycle.

Independence

CGI's corporate governance practices require that a majority of the members of CGI's Board of Directors be independent. This means that they must be and remain free from any material ties to the Company, its management and its external auditors that could, or could reasonably be perceived to, materially interfere with the directors' ability to act in the best interests of the Company, and otherwise in keeping with industry best practices and the definitions of independence applicable under stock exchange and securities regulators' governance guidelines and rules.

The Board of Directors has concluded that the position of Lead Director, in place since 1996, ensures that the Board of Directors is able to act independently of management in an effective manner. The Lead Director holds regular meetings of the outside directors, as well as regular meetings of the independent directors without related directors present. The Lead Director held four such meetings of the outside directors during the year ended September 30, 2012.

The Board of Directors has determined that the directors identified as being independent in this *Management Proxy Circular* do not have interests in or relationships with CGI or with any of CGI's significant shareholders that could, or could reasonably be perceived to, materially interfere with the directors' ability to act in the best interests of the Company, and that they are therefore independent under the applicable guidelines and rules.

The independence of the Board of Directors and its standing committees is further enhanced by their ability to engage outside advisors as needed. In addition, individual directors may also retain the services of outside advisors with the authorization of the Chair of the Corporate Governance Committee.

Shareholders of CGI, or any person who has an interest in the Company, who wish to contact CGI's non-management or independent directors may do so by e-mail sent to lead_director@cgi.com or by using the contact page for the Lead Director on CGI's website at www.cgi.com.

Expertise and Financial and Operational Literacy

CGI's corporate governance practices require that all members of CGI's Board of Directors be both financially and operationally literate. The financial literacy of individual Board members need not be as extensive as that of members who sit on CGI's Audit and Risk Management Committee. Having operational literacy means that the director must have substantial experience in the execution of day to day business decisions and strategic business objectives acquired as a result of meaningful past experience as a chief executive officer or as a senior executive officer in another capacity but with a broad responsibility for operations.

The directors' experience and subject matter expertise is examined by the Committee annually when it reviews and makes recommendations to the Board of Directors in relation to succession planning for the Board of Directors in the context of the Board of Directors and standing committee self-evaluation process (see the heading *Participation in the Annual Self-Assessment Process* later in this document). Expertise in the industry vertical markets in which the Company operates, operational expertise and literacy, and financial literacy make up the key criteria that are used to select candidates for Board membership, to review and determine the composition of CGI's Board, and to assess the performance of directors annually as part of the annual Board of

Directors and standing committee self-evaluation process. The Board of Directors' objective in relation to its composition is to ensure that it has expert representation for each of the Company's targeted vertical markets.

The members of the Board who serve on the Company's Audit and Risk Management Committee must be operationally literate and be financially literate in the sense of having 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 CGI's financial statements, and otherwise in keeping with applicable governance standards under applicable securities laws and regulations.

The Committee and the Board of Directors have determined that all members of the Audit and Risk Management Committee are financially literate and that the Committee Chair, Mr. Gilles Labbé has financial expertise as required by the New York Stock Exchange corporate governance rules and the rules adopted by the U.S. *Securities and Exchange Commission* ("SEC") in accordance with the *Sarbanes Oxley Act of 2002*. Mr. Labbé is a Fellow of the *Institute of Chartered Accountants*.

The remaining members of the Audit and Risk Management Committee, Messrs. Claude Boivin, Jean Brassard and Richard B. Evans, are financially literate in the sense that they have the knowledge and skills necessary to allow them 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 CGI's financial statements.

Mr. Claude Boivin acquired his financial literacy while serving as President and Chief Operating Officer of Hydro-Quebec prior to his retirement, and thereafter as a result of his service on the audit committees of Boralex Power Income Fund and GLV Inc. and the Audit and Risk Management Committee of the Company. Prior to his current service on the Committee, Mr. Boivin was a member of the Committee from 1997 to 2006.

Mr. Jean Brassard acquired his financial literacy as a result of having served as CGI's Chief Operating Officer until his retirement in October 2000.

Mr. Richard B. Evans acquired his financial literacy while serving as Chief Executive of Rio Tinto Alcan (and as President and Chief Executive Officer of Alcan Inc. prior to its acquisition by Rio Tinto Plc). In his role as chief executive officer he was responsible for the supervision of the chief financial officer of the company and was ultimately responsible for operations as well as accounting and financial reporting.

Attendance at Board and Standing Committee Meetings

The Committee monitors director attendance and, in addition to considering attendance in relation to the recommendation for directors to be proposed for election at the Annual General Meeting of shareholders, the Committee discloses the attendance record for all directors in the *Management Proxy Circular*. The overall attendance rate for CGI's Board of Directors for fiscal 2012 was 93% for the Board of Directors, 96% for the Audit and Risk Management Committee, 92% for the Human Resources Committee and 100% for the Corporate Governance Committee. Detailed meeting and attendance information is provided in the following table.

Board and Standing Committee Meetings and Attendance Year ended September 30, 2012					
Director	Board Meetings Attended		Committee Meetings Attended		
	6 regular meetings 4 special meetings		Audit Governance Human Resources	5 regular meetings 4 regular meetings 4 regular meetings	
Claude Boivin	10 of 10	100%	Audit	5 of 5	100%
Bernard Bourigeaud	8 of 10	80%	Human Resources	3 of 4	75%
Jean Brassard ^(a)	10 of 10	100%	Audit	2 of 2	100%
			Governance	2 of 2	100%
Robert Chevrier	10 of 10	100%	Human Resources (Chair)	4 of 4	100%

Board and Standing Committee Meetings and Attendance Year ended September 30, 2012					
Director	Board Meetings Attended		Committee Meetings Attended		
	6 regular meetings 4 special meetings		Audit Governance Human Resources	5 regular meetings 4 regular meetings 4 regular meetings	
Dominic D'Alessandro	9 of 10	90%	Human Resources	4 of 4	100%
Thomas P. d'Aquino	7 of 10	70%	Governance	4 of 4	100%
Paule Doré ^(b)	10 of 10	100%	Governance	n.a.	n.a.
Richard B. Evans	8 of 10	80%	Audit	5 of 5	100%
Serge Godin (Chair)	10 of 10	100%			
André Imbeau	10 of 10	100%			
Gilles Labbé	9 of 10	90%	Audit (Chair)	4 of 5	80%
Eileen A. Mercier ^(c)	10 of 10	100%	Governance (Chair)	2 of 2	100%
			Audit (Chair)	3 of 3	100%
Donna S. Morea	6 of 7	86%			
Michael E. Roach	10 of 10	100%			

- (a) Mr. Brassard ceased to be a member of the Corporate Governance Committee on February 2, 2012 when he became a member of the Audit and Risk Management Committee and the table therefore reflects his transition between those committees.
- (b) Mrs. Doré was appointed as a member of the Corporate Governance Committee on September 25, 2012. No meetings of the Committee were held in fiscal 2012 subsequent to her appointment.
- (c) Mrs. Mercier ceased to be a member and Chair of the Audit and Risk Management Committee on February 2, 2012 when she became a member and Chair of the Corporate Governance Committee and the table therefore reflects her transition between those committees.

Share Ownership Guidelines for Directors

A share ownership guideline was adopted for directors on June 15, 2004. CGI's directors are required to hold at least 10,000 Class A subordinate shares or DSUs within the later of i) three years of their election or appointment to the Board of Directors and ii) three years from the adoption of the guideline on June 15, 2004. All directors' holdings respect the guideline.

The share ownership on the part of the Company's outside directors as of December 10, 2012 and the date on which their holding must meet the minimum level of share ownership are set out in the following table.

Outside Directors' Share Ownership ^(a)							
Director	Year	Number of Class A subordinate voting shares	Number of DSUs	Total Number of shares and DSUs	Total "at risk" value of shares and DSUs ^(b)	Shares or DSUs to be acquired to meet minimum ownership level	Date by which minimum ownership level must be met
Claude Boivin	2012	104,596	10,265	114,861	\$2,608,493	n.a.	Complies with ownership guidelines
	2011	104,596	9,150	113,746	\$2,147,524		
	Change	-	1,115	1,115	\$460,969		
Bernard Bourigeaud	2012	10,000	-	10,000	\$227,100	n.a.	Complies with ownership guidelines
	2011	10,000	-	10,000	\$188,800		
	Change	-	-	-	\$38,300		

Outside Directors' Share Ownership ^(a)							
Director	Year	Number of Class A subordinate voting shares	Number of DSUs	Total Number of shares and DSUs	Total "at risk" value of shares and DSUs ^(b)	Shares or DSUs to be acquired to meet minimum ownership level	Date by which minimum ownership level must be met
Jean Brassard ^(c)	2012	921,504	7,317	928,821	\$21,093,525	n.a.	Complies with ownership guidelines
	2011	1,021,504	3,882	1,025,386	\$19,359,288		
	Change	(100,000)	3,435	(96,565)	\$1,734,237		
Robert Chevrier	2012	10,000	28,392	38,392	\$871,882	n.a.	Complies with ownership guidelines
	2011	10,000	24,600	34,600	\$653,248		
	Change	-	3,792	3,792	\$218,634		
Dominic D'Alessandro	2012	10,000	9,608	19,608	\$445,298	n.a.	Complies with ownership guidelines
	2011	10,000	6,174	16,174	\$305,365		
	Change	-	3,434	3,434	\$139,933		
Thomas P. d'Aquino	2012	-	28,515	28,515	\$647,576	n.a.	Complies with ownership guidelines
	2011	-	24,277	24,277	\$458,350		
	Change	-	4,238	4,238	\$189,226		
Paule Doré	2012	99,774	2,375	102,149	\$2,319,804	n.a.	Complies with ownership guidelines
	2011	99,774	-	99,774	\$2,101,250		
	Change	-	2,375	2,375	\$218,554		
Richard B. Evans	2012	10,000	10,716	20,716	\$470,460	n.a.	Complies with ownership guidelines
	2011	10,000	7,266	17,266	\$325,982		
	Change	-	3,450	3,450	\$144,478		
Gilles Labbé	2012	-	6,187	6,187	\$140,507	3,813	January 27, 2013
	2011	-	3,767	3,767	\$71,121		
	Change	-	2,420	2,420	\$69,386		
Eileen A. Mercier	2012	21,739	23,215	44,954	\$1,020,905	n.a.	Complies with ownership guidelines
	2011	18,877	21,543	40,420	\$763,130		
	Change	2,862	1,672	4,534	\$257,776		
Donna S. Morea	2012	15,052	2,072	17,124	\$388,886	n.a.	Complies with ownership guidelines
	2011	21,540	-	21,540	\$406,675		
	Change	(6,488)	2,072	(4,416)	(\$17,789)		

(a) 2012 information is provided as of December 10, 2012 and 2011 information is provided as of December 13, 2011.

(b) Based on the closing prices of the Company's shares on the *Toronto Stock Exchange* on December 10, 2012 and December 13, 2011 respectively.

(c) The number of shares shown for Mr. Brassard combines the Class A subordinate voting shares and Class B shares owned or controlled, directly or indirectly, by Mr. Brassard.

Availability and Workload

The Board of Directors has endorsed the Committee's recommendation not to adopt formal guidelines on the number of boards or committees on which independent directors may sit on the basis that the contribution of each

director to the work of the Board of Directors forms part of the Board of Directors self-assessment process and that arbitrary limits might not serve the interests of the Company.

Mr. Richard B. Evans serves on the audit committee of one other company, and Messrs. Boivin, Brassard and Labbé do not sit on any other audit committees. The Board of Directors and the Committee have determined that Mr. Evans' service on the other audit committee on which he sits does not impair his capacity to serve the Company's Audit and Risk Management Committee effectively.

Conflicts of Interest

A process is in place for directors to acknowledge annually CGI's *Code of Ethics and Business Conduct* in the same way as officers and members, and all the directors have done so. All directors have also declared their interests in all other companies where they serve as directors or officers. The Board of Directors has endorsed the Committee's recommendation to maintain the practice of having directors tender their resignation for consideration upon a major change in their principal occupation.

Participation in the Orientation and Continuing Education Program

Each new director participates in a formal orientation and continuing education program. The program consists of a detailed presentation of the Company's current three-year strategic plan, coupled with a series of meetings between the new director and i) the Founder and Executive Chairman of the Board, ii) the Lead Director, iii) the President and Chief Executive Officer, iv) the Chair of each standing committee to which the director will be assigned, and v) other key senior executive officers of the Company. Depending on the director's experience and background and the results of the executive meetings, additional meetings may be scheduled. In addition to the executive briefings, new directors receive the CGI *Director Reference Binder*, a comprehensive set of documents containing both public and non-public information concerning the Company, which includes detailed information in relation to the Company; its operations; financial condition; management structure; policies and public disclosure record; the work programs and minutes of past meetings of the Board of Directors and of its standing committees; biographies of CGI's key senior officers; materials related to the director's duties and responsibilities, including, a synopsis of the Company's insurance coverage for directors and officers liability; CGI's *Guidelines on Timely Disclosure of Material Information and Transactions in Securities by Insiders* (see the heading *Guidelines on Disclosure of Information* later in this document); and the Company's process for reporting transactions in its shares carried out by its reporting insiders.

In addition to the formal orientation program, the continuing education program includes presentations on a variety of topics of interest, including on recent developments in the global information technology market, which are provided to the Board of Directors on a regular basis. Detailed presentations are also made to the standing committees of the Board of Directors on technical subjects such as the application of accounting principles in the preparation of the Company's financial statements, corporate governance rules and practices, and trends in executive and directors' compensation.

Directors also receive updates on business and governance initiatives as well as responses to questions raised by the members of the Board of Directors from time to time. Directors who wish to do so may make arrangements with the Corporate Secretary to participate, at CGI's expense, in board-level industry associations or conferences, to attend continuing education courses that are relevant to their role as a director of the Company or otherwise to pursue activities that contribute in a meaningful way to the value they bring to CGI's Board of Directors.

Participation in the Annual Self-Assessment Process

The Lead Director, in concert with the Committee, coordinates an annual self-assessment of the effectiveness of the Board of Directors as a whole, of the standing committees of the Board, and of the contribution of individual directors. The Committee is also responsible for establishing the competencies, skills and personal qualities it seeks in new Board members with a view to adding value to the Company, and directors are assessed against the contribution they are expected to make. This assessment is based on annual questionnaires to which directors respond.

Separate questionnaires cover the assessment of the Board as a whole and the individual directors' contributions. Once the responses are received, the Lead Director compiles and analyses the results. He then discusses the self assessments with each director. Following the one-on-one discussions with directors, the Lead Director reviews the overall results of the self-assessment process with the Founder and Executive Chairman of the Board, and with the Chairs of the standing committees. The Committee then meets to review the results of the self-assessment process and subsequently presents the final result to the Board of Directors for discussion.

The Board of Directors reviews the assessment of its performance and the recommendations provided by the Committee annually with the objective of increasing the Board's effectiveness in carrying out its responsibilities. The Board of Directors takes appropriate action based on the results of the review process.

Retirement Age and Director Term Limits

The Board of Directors has endorsed the Committee's recommendation not to adopt a formal retirement age or term limits for directors.

CGI's success is due in large measure to the Company's experience and expertise in its vertical markets. The selection criteria for CGI's Board of Directors which are explained earlier in this document under the heading *Expertise and Financial And Operational Literacy* recognize this and are designed to ensure that the Company has subject matter experts on the Board of Directors who can effectively provide intelligence, experience, expertise and business and operational insight into each of the Company's industry vertical markets. Imposing a term limit or an arbitrary retirement age would unnecessarily expose the Company to losing valuable resources that could not be easily replaced. The Committee and the Board of Directors are therefore of the view that a mandatory retirement age or term limits might arbitrarily and needlessly deprive the Board of Directors of valuable resources.

As with the other aspects of CGI's corporate governance practices, director term limits and the Board of Directors retirement policy are reviewed annually. When the time comes to discuss term limits or a retirement age, the directors who would be affected in the event that such limits were adopted withdraw from the meeting and abstain from voting on the matter.

Nomination Process for the Board of Directors

The shareholders are responsible for electing CGI's directors. The responsibility for proposing candidates for election by the shareholders lies with the Board of Directors. The Board of Directors relies on the nomination recommendations of the Committee.

Based on the results of the Board of Directors self-evaluation (see the heading *Participation in the Annual Self-Assessment Process* earlier in this document) or on its own assessment from time to time of the needs of the Company, the Committee may recommend that the composition of the Board or its standing committees be varied in order to ensure that it continues to serve the best interests of the Company and to ensure an appropriate succession of directors. By way of example, when it is appropriate to do so, additional directors may be appointed to committees so as to ensure that knowledge is passed along in order to facilitate a smooth transition should the need arise.

When changes to Board of Directors composition are required, potential candidates are identified on the basis of their expertise and knowledge in the industry vertical markets in which the Company operates and their operational and financial literacy. The Committee, the Founder and Executive Chairman of the Board, the Chair of the Committee and the Lead Director consult with each other with respect to the actions to be taken and the necessary steps are then taken to evaluate the candidates and confirm their willingness to serve on the Board of Directors.

Once the selection of candidates is made, the Committee recommends to the Board of Directors that the candidate or candidates be either appointed by the Board of Directors if there is a vacancy to be filled, or be nominated for election at the next meeting of shareholders.

Under the terms of a *Registration Rights Agreement* between the Company and the *Caisse de dépôt et placement du Québec* (the "Caisse") entered into as of August 20, 2012 in the context of the acquisition of *Logica*

plc, the Caisse has the right, as long as it beneficially owns or exercises control or direction over 15% or more of the outstanding Class A subordinate voting shares, to recommend to CGI one nominee to be part of any slate of directors proposed for election by CGI and to be included in a proxy circular relating to the election of directors of CGI, provided that the nominee shall have no material relationship with CGI or the Caisse, that he or she shall be eligible to serve as a director under CGI's articles and laws of incorporation, and that his or her nomination shall be subject to a favourable recommendation of the Committee. CGI has no shareholder's agreement with Caisse and the Caisse has not yet exercised its Board nomination right.

Board of Directors Participation in Strategic Planning

The Board of Directors is directly and closely involved in the preparation and approval of CGI's rolling three-year strategic plan which is reviewed and assessed annually by the Board of Directors.

CGI has adopted a bottom-up process for budgeting and strategic planning in order to ensure that the resulting business plan is as closely attuned as possible to maximizing the Company's business opportunities and mitigating operational and other risks. The Board of Directors receives a detailed briefing early in the planning process covering all aspects of CGI's strategic planning so that the directors are in a position to contribute to the process in a meaningful way before the final business plan has taken shape.

In keeping with CGI's three-year rolling strategic planning process, the strategic plan begins with the initiatives, directions and priorities identified at the business unit level by the Company's management team that are shared at the Company's annual Vice-Presidents' conference. The plan is then presented to the directors in July for review and discussion. In the next step, the plan is refined by management and is subsequently presented to the Board of Directors for approval in September. The rolling three-year planning process provides a meaningful opportunity for the directors to contribute to the strategic planning process. In addition to the formal planning process, every Board meeting agenda features a standing item entitled *Directors' Round Table* that serves as a forum for continuing free-ranging discussion between the Board and management in relation to the Company's strategic direction.

Guidelines on Disclosure of Information

CGI's *Guidelines on Timely Disclosure of Material Information and Transactions in Securities of CGI by Insiders* adopted by CGI's Board of Directors (the "Guidelines") set out the essential principles underlying the Company's disclosure practices in keeping with the rules of regulatory authorities and best disclosure practices. The Guidelines are contained in CGI's *Fundamental Texts* which may be found as Appendix A to CGI's *2012 Annual Information Form* which was filed with the Canadian securities regulatory authorities and which is available at www.sedar.com and on CGI's web site at www.cgi.com. A copy of the *2012 Annual Information Form* will be provided promptly to shareholders upon request.

Under the Guidelines, the Board of Directors has the responsibility to oversee the content of the Company's major communications to its shareholders and the investing public. The Board of Directors believes that it is management's role to communicate on behalf of the Company with its shareholders and the investment community. The Company maintains an effective investor relations process to respond to shareholder questions and concerns. In 2004, the Company adopted the *CGI 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, including both the buy-side (institutional investors) and sell-side (investment dealers) research analysts. CGI obtained ISO 9001 certification for the application of the SPMF in the Company's operations.

As part of the SPMF process, CGI conducts a survey of sell-side analysts and institutional shareholders every year as a means of measuring shareholder satisfaction. The survey is designed to provide insights into investor sentiment and to improve the investor relations program.

The SPMF annual assessment conducted during the 2012 fiscal year returned an overall score for CGI of 8.1 out of 10 which compares favourably to the average score for other public companies of 6.7 out of 10.

Following the assessment, suggestions for improvement received in the course of the survey are acted upon as a means of assuring continuous improvement.

The Board of Directors reviews and, where required, approves statutory disclosure documents prior to their dissemination to the market and to the Company's shareholders.

The Charter of the Board of Directors which is incorporated by reference in this *Management Proxy Circular* (see the heading *Mandate, Structure and Composition of the CGI Board of Directors* earlier in this document) provides that directors' duties include the oversight of the integrity of the Company's internal control and management information systems. The Audit and Risk Management Committee has the primary responsibility under its charter to review the internal control and management information systems of the Company. The Committee reports to the Board of Directors in that regard.

Directors' Compensation

The Human Resources Committee reviews directors' compensation periodically. In determining directors' remuneration, the Committee considers the directors' compensation offered by the companies comprised in the reference group of companies used as a guide in determining compensation matters, and the risks and responsibilities that the directors of the Company assume in keeping with the roles of the Board of Directors and of the standing committees. See the heading *Compensation of Directors* in the report of the Human Resources Committee earlier in this document.

Codes of Ethics and Business Conduct

CGI's *Code of Ethics and Business Conduct* and its *Executive Code of Conduct* are contained in CGI's *Fundamental Texts* which may be found as Appendix A to CGI's 2012 *Annual Information Form* which was filed with the Canadian securities regulatory authorities and which is available at www.sedar.com and on CGI's web site at www.cgi.com. A copy of the 2012 *Annual Information Form* will be provided promptly to shareholders upon request.

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.

It is the Committee that is principally responsible for the annual review of the *Code of Ethics and Business Conduct*, overseeing compliance with the code of ethics, reviewing any request to waive or exempt from its application, and making recommendations on these matters to the Board of Directors.

Under the terms of the *Code of Ethics and Business Conduct*, all of CGI's members are required to comply with the code and to see that it is complied with. The code requires that infractions be reported to management and the Corporate Secretary is specifically mandated with receiving reports of infractions and reporting them to the Committee and to the Board of Directors.

The Board of Directors has established procedures approved by the Audit and Risk Management Committee for the receipt, retention, and treatment of complaints regarding accounting, internal accounting control or auditing matters as well as other breaches of the *Code of Ethics and Business Conduct* or of the *Executive Code of Conduct*. In that regard, the Company adopted the *CGI Serious Ethical Incidents Reporting Policy* which allows members who wish to submit a complaint to do so via a third party ethics reporting hotline and secure web site which assures that members who wish to preserve their anonymity are able to do so with confidence. The Audit and Risk Management Committee is primarily responsible for receiving and dealing with these incident reports. A report on the process and on incident reports received is provided quarterly to the Audit and Risk Management Committee by the head of the internal audit department.

A program for the integration of new members ensures that new members receive an orientation that familiarizes them with CGI's policies, their responsibilities as members and the benefits to which they are entitled. In order to ensure that all CGI's members are aware of the importance that the Company attaches to compliance with the *Code of Ethics and Business Conduct*, each new member is informed about the code and the process for reporting ethics breaches, and is required to undertake in writing to comply with the code. This written undertaking is renewed annually at the same time as the member's evaluation.

CGI's *Leadership Institute* regularly provides an intensive series of courses designed to ensure that new managers are familiar with CGI's methods of operation and its policies, including the *Code of Ethics and Business Conduct* and the process for reporting breaches.

In addition, the Company provides an internet portal that ensures that all members have access to the Company's policies, including the code of ethics and the process for reporting breaches.

These measures are in addition to quarterly reports tabled with the Audit and Risk Management Committee by the internal audit department, the internal controls review function, and the legal department on matters for which they are responsible. These reports may include reports of breaches of the code of ethics when such breaches are raised in internal audit mandates or in claims made against the Company.

In addition to CGI's *Code of Ethics and Business Conduct*, CGI's principal executive and financial officers, including the *Founder and Executive Chairman of the Board*, the *Founder, Vice-Chairman of the Board and Corporate Secretary*, the *President and Chief Executive Officer* and the *Executive Vice-President and Chief Financial Officer*, the principal accounting officer or controller, and other persons performing similar functions, are subject to CGI's *Executive Code of Conduct* which they are required to review and acknowledge on an annual basis.

CGI Federal Inc., the Company's operating subsidiary that provides services to the US federal government, has adopted policies and procedures to comply with specific requirements under US Federal government procurement laws and regulations.

Relationship with Shareholders and Decisions Requiring their Consent

In keeping with CGI's policy of seeking to align the interests of its three stakeholder groups (see the *Letter to Shareholders* on page iv earlier in this document), CGI implemented the SPMF which forms part of the Company's ISO certification. See the heading *Guidelines on Disclosure of Information* earlier in this document for a more detailed discussion of the SPMF.

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 principles and applicable corporate and securities legislation. Messrs. Serge Godin and André Imbeau, respectively CGI's *Founder and Executive Chairman of the Board* and *Founder, Vice-Chairman of the Board and Corporate Secretary*, are members of the Board of Directors of CGI and, as of December 10, 2012, beneficially owned, directly or indirectly, or controlled or directed shares of CGI representing respectively 46.98% and 7.05% of the votes attached to all of CGI's outstanding voting shares.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee of the Board of Directors is composed entirely of independent directors who meet the independence and experience requirements of *National Instrument 52-110* adopted by the *Canadian Securities Administrators* as well as those of the *New York Stock Exchange* and of the U.S. *Securities and Exchange Commission*.

The Committee is composed of Mr. Gilles Labbé, Chair of the Committee, and Messrs. Claude Boivin, Jean Brassard and Richard B. Evans. The Committee met five times during fiscal 2012. Mr. Labbé's role and responsibilities as Chair of the Committee are described earlier in this document in the report of the Corporate Governance Committee under the heading *Role and Responsibilities of the Lead Director and Standing Committee Chairs*.

The role and responsibilities of the Committee are contained in the Committee's charter. The Committee's charter forms part of CGI's *Fundamental Texts* and the charter is incorporated by reference in this *Management Proxy Circular* (see the heading *Mandate, Structure and Composition of the CGI Board of Directors* earlier in this document) and is available on CGI's web site at www.cgi.com. The role and responsibilities of the Committee include:

- (a) reviewing all public disclosure documents containing audited or unaudited financial information concerning CGI;
- (b) identifying and examining the financial and operating risks to which the Company is exposed, reviewing the various policies and practices of the Company that are intended to manage those risks, and reporting on a regular basis to the Board of Directors concerning risk management;
- (c) reviewing and assessing the effectiveness of CGI's accounting policies and practices concerning financial reporting;
- (d) reviewing and monitoring CGI's internal control procedures, programs and policies and assessing their adequacy and effectiveness;
- (e) reviewing the adequacy of CGI's internal audit resources including the mandate and objectives of the internal auditor;
- (f) recommending to the Board of Directors the appointment of the external auditors, asserting the external auditors' independence, reviewing the terms of their engagement and pursuing ongoing discussions with them;
- (g) reviewing all related party transactions in accordance with the rules of the *New York Stock Exchange* and other applicable laws and regulations;
- (h) reviewing the audit procedures including the proposed scope of the external auditors' examinations; and
- (i) performing such other functions as are usually attributed to audit committees or as directed by the Board of Directors.

The Committee fulfilled all aspects of its mandate for the fiscal year ended September 30, 2012.

External Auditors' Independence

The Committee is required to assert the independence of CGI's external auditors and, to this end, entertains discussions with the external auditors on applicable criteria and obtains yearly confirmations from them as to their independence.

Auditor Independence Policy

In order to satisfy itself as to the independence of the external auditors, the 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 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 Committee and thereafter only require approval by the *Executive Vice-President and Chief Financial Officer* as follows:

- The Committee can pre-approve envelopes for certain services to pre-determined dollar limits on a quarterly basis;
- Once pre-approved by the 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 Committee; and
- At each meeting of the Committee, a consolidated summary of all fees by service type is presented including a breakdown of fees incurred within each of the pre-approved envelopes.

Key Participants' Responsibilities

Management and the Committee are the Company's two key participants for the purposes of the Company's Auditor Independence Policy.

The primary responsibilities of management are: (a) creating and maintaining a policy that follows applicable auditor independence standards, (b) managing compliance with the policy, (c) reporting to the Committee all mandates to be granted to the external auditors, and (d) monitoring and approving services to be performed within the pre-approved envelopes.

The primary responsibilities of the Committee are: (a) nominating the external auditors for appointment by the Company's shareholders, (b) approving fees for audit services, (c) approving the auditor independence policy and amendments to the policy, (d) monitoring management's compliance with the policy, (e) obtaining yearly confirmations of independence from the external auditors, (f) monitoring audit partner rotation requirements, (g) monitoring the twelve-month "cooling off" period when hiring members of the audit engagement team in a financial reporting oversight role, (h) reviewing the appropriateness of required audit fee disclosure, (i) interpreting the policy in the event that its application is unclear, and (j) approving all auditor mandates or pre-approving envelopes for specific services.

Under the Auditor Independence Policy, the Committee has the ultimate responsibility to assert the independence of CGI's external auditors.

Fees Billed by the External Auditors

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

Service retained	Fees billed	
	2012	2011
Audit fees	\$7,219,323	\$3,269,836
Audit related fees ^(a)	\$815,130	\$1,471,952
Tax fees ^(b)	\$621,190	\$245,006
All other fees ^(c)	\$50,085	\$6,736
Total fees billed	\$8,705,728	\$4,993,530

- (a) The audit related fees billed by the external auditors for the year ended September 30, 2012 were in relation to service organization control procedures audits and assistance, International Financial Reporting Standards transition assistance, information technology assistance and advisory services, and 401(k) and special audits. Those billed for the year ended September 30, 2011 were in relation to service organization control procedures audits and assistance, International Financial Reporting Standards transition assistance, assistance in mergers and acquisitions matters, information technology assistance and advisory services, and 401(k) and special audits.
- (b) The tax fees billed by the external auditors for the years ended September 30, 2012 and 2011 were in relation to tax compliance and advisory services. 2012 also includes human capital services.
- (c) The other fees billed by the external auditors for the years ended September 30, 2012 and 2011 were in relation to government contract compliance services, and other advisory services.

Related Party Transactions

The Committee is responsible under its charter for reviewing and making recommendations to the Board of Directors in relation to any transaction in which a director or a member of senior management has an interest. To the extent that it is necessary to do so, the Committee may retain outside advisors to assist it in reviewing related party transactions.

For more important transactions, the Board of Directors generally establishes an *ad hoc* committee made up entirely of independent directors that is mandated to review the transaction and to make a recommendation to the Board of Directors. Such committee may retain independent legal and accounting advisors to assist in reviewing the transaction.

Whether it is the Committee or an *ad hoc* committee, the committee mandated with reviewing the transaction tables its report with the Board of Directors and it is the Board of Directors that has the responsibility of approving the transaction if it determines that it is appropriate to do so.

OTHER BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING

Management of the Company is not aware of any matter to be submitted at the Meeting other than the matters set forth in the Notice of Meeting. Every proxy given to any person in the form of proxy that accompanied this *Management Proxy Circular* will confer discretionary authority with respect to amendments or variations to the items of business identified in the Notice of Meeting and with respect to any other matters that may properly come before the Meeting.

ADDITIONAL INFORMATION

The Company will provide to any person, upon request to the Corporate Secretary, a copy of this *Management Proxy Circular*, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this *Management Proxy Circular*.

Additional financial and other information relating to the Company is included in its 2012 audited annual and unaudited quarterly financial statements, annual and quarterly *Management's Discussion and Analysis of Financial Position and Results of Operations* and other continuous disclosure documents which are available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. For additional copies of this *Management Proxy Circular*, for a copy of the Company's *Notice of Intention* in relation to its *Normal Course Issuer Bid*, or other financial information, please contact Investor Relations by sending an e-mail to ir@cgi.com, by visiting the Investors section on the Company's Web site at www.cgi.com or by contacting us by mail or telephone:

Investor Relations
CGI Group Inc.
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APPROVAL BY THE DIRECTORS

The Board of Directors of the Company has approved the content and the delivery of this *Management Proxy Circular*.



Serge Godin
Founder and Executive
Chairman of the Board

APPENDIX A

Stock Options and Share-Based Awards Held by Named Executive Officers

The following table shows all outstanding stock options and share-based awards held by the Named Executive Officers as at September 30, 2012.

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested ^(a) (#)	Market or payout value of share-based awards that have not vested ^{(b)(c)} (\$)	Market Payout value of vested share-based awards not paid out or distributed (\$)
Serge Godin Founder and Executive Chairman of the Board							
	275,730	8.50	October 1, 2014	4,935,567			
	250,000	8.55	October 21, 2015	4,462,500			
	400,000	7.72	November 20, 2016	7,472,000			
	312,500	11.39	October 1, 2017	4,690,625			
	468,750	9.31	October 1, 2018	8,010,938			
	468,750	12.54	September 30, 2019	6,496,875			
	461,505	15.49	September 30, 2020	5,035,020			
					309,907	8,181,545	
Total:				41,103,524	309,907	8,181,545	

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested ^(a) (#)	Market or payout value of share-based awards that have not vested ^{(b)(c)} (\$)	Market Payout value of vested share-based awards not paid out or distributed (\$)
André Imbeau Founder, Vice-Chairman of the Board and Corporate Secretary							
	500	8.55	October 21, 2015	8,925			
	150,000	7.72	November 20, 2016	2,802,000			
	125,000	11.39	October 1, 2017	1,876,250			
	140,625	9.31	October 1, 2018	2,403,281			
	140,625	12.54	September 30, 2019	1,949,063			
	107,553	15.49	September 30, 2020	1,173,403			
					133,887	3,534,617	
Total:				10,212,922	133,887	3,534,617	

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested ^(a) (#)	Market or payout value of share-based awards that have not vested ^{(b)(c)} (\$)	Market Payout value of vested share-based awards not paid out or distributed (\$)
Michael E. Roach, President and Chief Executive Officer							
	437,500	11.39	October 1, 2017	6,566,875			
	468,750	9.31	October 1, 2018	8,010,938			
	515,625	12.54	September 30, 2019	7,146,563			
	461,505	15.49	September 30, 2020	5,035,020	369,576	9,756,806	
Total:				26,759,395	369,576	9,756,806	

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested ^(a) (#)	Market or payout value of share-based awards that have not vested ^{(b)(c)} (\$)	Market Payout value of vested share-based awards not paid out or distributed (\$)
R. David Anderson, Executive Vice-President and Chief Financial Officer							
	74,200	7.72	November 20, 2016	1,386,056			
	125,000	11.39	October 1, 2017	1,876,250			
	156,250	9.31	October 1, 2018	2,670,313			
	171,875	12.54	September 30, 2019	2,382,188			
	188,188	15.49	September 30, 2020	2,053,131			
					112,000	2,956,800	
Total:				10,367,937	112,000	2,956,800	

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested ^(a) (#)	Market or payout value of share-based awards that have not vested ^{(b)(c)} (\$)	Market Payout value of vested share-based awards not paid out or distributed (\$)
George D. Schindler President, United States							
	20,000	6.69	July 31, 2016	394,200			
	75,000	11.39	October 1, 2017	1,125,750			

	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested ^(a) (#)	Market or payout value of share-based awards that have not vested ^{(b)(c)} (\$)	Market Payout value of vested share-based awards not paid out or distributed (\$)
Name and title							
	78,125	9.31	October 1, 2018	1,335,156			
	78,125	12.54	September 30, 2019	1,082,813			
	103,125	15.49	September 30, 2020	1,125,094			
	200,000	19.71	September 30, 2021	1,338,000			
Total:				6,401,013			

- (a) Shows stock options and share-based awards held as at the end of the fiscal year ended September 30, 2012.
- (b) Based on \$26.40, the closing price of the Company's Class A subordinate voting shares on the *Toronto Stock Exchange* on September 30, 2012.
- (c) Shows the market value for the aggregate number of PSUs held as at the end of the fiscal year ended September 30, 2012.

APPENDIX B

Stock Options and Share-Based Awards Held by Outside Directors

The following table shows all outstanding stock options held by the members of the Board of Directors who are not Named Executive Officers as at September 30, 2012 as well as the in-the-money-value of such stock options. The outside members of the Board of Directors are also eligible to receive DSUs. See the heading *Stock Options and Deferred Stock Units Granted to Directors* in the *Management Proxy Circular* earlier in this document. All DSUs are fully vested at the time of issuance.

The corresponding information for directors who are also Named Executive Officers may be found in Appendix A.

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market Payout value of vested share-based awards not paid out or distributed ^{(b)(c)} (\$)
Claude Boivin							
	2,500	11.39	October 1, 2017	37,525			
	2,500	9.31	October 1, 2018	42,725			
	632	10.85	April 24, 2019	9,828			
	609	10.67	July 31, 2019	9,580			
	2,500	12.54	September 30, 2019	34,650			
	490	13.26	October 22, 2019	6,439			
	449	14.48	January 28, 2020	5,352			
	2,500	15.49	September 30, 2020	27,275			
	973	19.28	January 27, 2021	6,928			
	924	20.30	April 24, 2021	5,636			
	914	20.51	July 28, 2021	5,383			
	4,000	19.71	September 30, 2021	26,760			
	972	19.30	October 20, 2021	6,901			
	645	19.39	January 26, 2022	4,521			
	587	21.31	April 19, 2022	2,988			
	521	23.99	July 26, 2022	1,256			
							264,686
			Total:	233,747			264,686

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market Payout value of vested share-based awards not paid out or distributed ^{(b)(c)} (\$)
Bernard Bourigeaud							
	834	9.31	October 1, 2018	14,253			
	834	9.31	October 1, 2018	14,253			
	1,666	12.54	September 30, 2019	23,091			
	2,500	15.49	September 30, 2020	27,275			
	4,000	19.71	September 30, 2021	26,760			
Total:				105,632			

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market Payout value of vested share-based awards not paid out or distributed ^{(b)(c)} (\$)
Jean Brassard							
	4,000	7.81	October 1, 2013	74,360			
	4,000	7.72	November 20, 2016	74,720			
	2,500	11.39	October 1, 2017	37,525			
	2,500	9.31	October 1, 2018	42,725			
	2,500	12.54	September 30, 2019	34,650			
	2,500	15.49	September 30, 2020	27,275			
	1,997	19.28	January 27, 2021	14,219			
	1,897	20.30	April 24, 2021	11,572			
	1,877	20.51	July 28, 2021	11,056			
	4,000	19.71	September 30, 2021	26,760			
	1,995	19.30	October 20, 2021	14,165			
	1,986	19.39	January 26, 2022	13,922			
	1,807	21.31	April 19, 2022	9,198			
	1,605	23.99	July 26, 2022	3,868			
							173,738
Total:				396,013			173,738

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market Payout value of vested share-based awards not paid out or distributed ^{(b)(c)} (\$)
Robert Chevrier							
	1,756	7.69	January 21, 2015	32,855			
	964	7.00	April 29, 2015	18,702			
	922	7.32	July 8, 2015	17,592			
	808	8.35	October 14, 2015	14,584			
	4,000	8.55	October 21, 2015	71,400			
	771	9.40	January 20, 2016	13,107			
	4,000	7.72	November 20, 2016	74,720			
	1,062	10.36	April 13, 2017	17,034			
	932	11.80	July 20, 2017	13,607			
	2,500	11.39	October 1, 2017	37,525			
	1,024	10.74	October 26, 2017	16,036			
	1,095	10.05	February 1, 2018	17,903			
	1,143	11.64	April 11, 2018	16,871			
	1,353	10.90	August 1, 2018	20,972			
	2,500	9.31	October 1, 2018	42,725			
	1,630	9.05	October 24, 2018	28,281			
	1,706	10.11	January 30, 2019	27,791			
	3,376	10.85	April 24, 2019	52,497			
	3,573	10.67	July 31, 2019	56,203			
	2,500	12.54	September 30, 2019	34,650			
	2,903	13.26	October 22, 2019	38,145			
	2,659	14.48	January 28, 2020	31,695			
	2,099	15.51	April 22, 2020	22,858			
	2,033	14.76	July 29, 2020	23,664			
	2,500	15.49	September 30, 2020	27,275			
	1,880	15.96	October 21, 2021	19,627			
	2,204	19.28	January 27, 2021	15,692			
	2,094	20.30	April 24, 2021	12,773			
	2,072	20.51	July 28, 2021	12,204			
	4,000	19.71	September 30, 2021	26,760			
	2,202	19.30	October 20, 2021	15,634			
	2,192	19.39	January 26, 2022	15,366			
	1,994	21.31	April 19, 2022	10,149			
	1,772	23.99	July 26, 2022	4,271			
							728,086
			Total:	901,169			728,086

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market Payout value of vested share-based awards not paid out or distributed ^{(b)(c)} (\$)
Dominic D'Alessandro							
	2,500	14.69	January 26, 2020	29,275			
	1,192	15.51	April 22, 2020	12,981			
	1,762	14.76	July 29, 2020	20,510			
	2,500	15.49	September 30, 2020	27,275			
	1,629	15.96	October 21, 2020	17,007			
	1,997	19.28	January 27, 2021	14,219			
	1,897	20.30	April 24, 2021	11,572			
	1,877	20.51	July 28, 2021	11,056			
	4,000	19.71	September 30, 2021	26,760			
	1,995	19.30	October 20, 2021	14,165			
	1,986	19.39	January 26, 2022	13,922			
	1,807	21.31	April 19, 2022	9,198			
	1,605	23.99	July 26, 2022	3,868			
							234,221
Total:				211,805			234,221

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market Payout value of vested share-based awards not paid out or distributed ^{(b)(c)} (\$)
Thomas P. D'Aquino							
	1,728	7.10	July 7, 2016	33,350			
	1,731	7.80	October 13, 2016	32,197			
	4,000	7.72	November 20, 2016	74,720			
	2,545	8.25	January 19, 2017	46,192			
	2,027	10.36	April 13, 2017	32,513			
	1,780	11.80	July 20, 2017	25,988			
	2,500	11.39	October 1, 2017	37,525			
	1,955	10.74	October 26, 2017	30,615			
	2,090	10.05	February 1, 2018	34,172			
	1,804	11.64	April 11, 2018	26,627			
	1,927	10.90	August 1, 2018	29,869			
	2,500	9.31	October 1, 2018	42,725			
	2,320	9.05	October 24, 2018	40,252			
	2,572	10.11	January 30, 2019	41,898			
	2,396	10.85	April 24, 2019	37,258			
	2,437	10.67	July 31, 2019	38,334			

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market Payout value of vested share-based awards not paid out or distributed ^{(b)(c)} (\$)
	2,500	12.54	September 30, 2019	34,650			
	1,961	13.26	October 22, 2019	25,768			
	1,796	14.48	January 28, 2020	21,408			
	2,020	15.51	April 22, 2020	21,998			
	2,270	14.76	July 29, 2020	26,423			
	2,500	15.49	September 30, 2020	27,275			
	2,099	15.96	October 21, 2021	21,914			
	2,386	19.28	January 27, 2021	16,988			
	2,408	20.30	April 24, 2021	14,689			
	2,438	20.51	July 28, 2021	14,360			
	4,000	19.71	September 30, 2021	26,760			
	2,591	19.30	October 20, 2021	18,396			
	2,579	19.39	January 26, 2022	18,079			
	2,223	21.31	April 19, 2022	11,315			
	1,917	23.99	July 26, 2022	4,620			
							729,590
Total:				908,876			729,590

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market Payout value of vested share-based awards not paid out or distributed ^{(b)(c)} (\$)
Paule Doré							
	2,500	12.54	September 30, 2019	34,650			
	2,500	15.49	September 30, 2020	27,275			
	648	19.28	January 27, 2021	4,614			
	616	20.30	April 24, 2021	3,758			
	609	20.51	July 28, 2021	3,587			
	4,000	19.71	September 30, 2021	26,760			
	648	19.30	October 20, 2021	4,601			
	645	19.39	January 26, 2022	4,521			
	587	21.31	April 19, 2022	2,988			
	521	23.99	July 26, 2022	1,256			
							56,390
Total:				114,009			56,390

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market Payout value of vested share-based awards not paid out or distributed ^{(b)(c)} (\$)
Richard B. Evans							
	2,500	12.54	September 30, 2019	34,650			
	2,500	12.54	September 30, 2019	34,650			
	44	13.26	October 22, 2019	578			
	1,796	14.48	January 28, 2020	21,408			
	1,676	15.51	April 22, 2020	18,252			
	1,762	14.76	July 29, 2020	20,510			
	2,500	15.49	September 30, 2020	27,275			
	1,629	15.96	October 21, 2021	17,007			
	1,997	19.28	January 27, 2021	14,219			
	1,825	20.30	April 24, 2021	11,133			
	1,779	20.51	July 28, 2021	10,478			
	4,000	19.71	September 30, 2021	26,760			
	2,024	19.30	October 20, 2021	14,370			
	2,034	19.39	January 26, 2022	14,258			
	1,798	21.31	April 19, 2022	9,152			
	1,629	23.99	July 26, 2022	3,926			
							263,894
Total:				278,625			263,894

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market Payout value of vested share-based awards not paid out or distributed ^{(b)(c)} (\$)
Gilles Labbé							
	2,500	14.69	January 26, 2020	29,275			
	596	15.51	April 22, 2020	6,490			
	881	14.76	July 29, 2020	10,255			
	2,500	15.49	September 30, 2020	27,275			
	815	15.96	October 21, 2020	8,509			
	1,349	19.28	January 27, 2021	9,605			
	1,281	20.30	April 24, 2021	7,814			
	1,268	20.51	July 28, 2021	7,469			
	4,000	19.71	September 30, 2021	26,760			
	1,347	19.30	October 20, 2021	9,564			
	1,315	19.39	January 26, 2022	9,218			
	1,278	21.31	April 19, 2022	6,505			

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market Payout value of vested share-based awards not paid out or distributed ^{(b)(c)} (\$)
	1,172	23.99	July 26, 2022	2,825			149,160
Total:				161,563			149,160

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market Payout value of vested share-based awards not paid out or distributed ^{(b)(c)} (\$)
Eileen A. Mercier							
	608	6.98	February 21, 2013	11,807			
	622	7.23	May 16, 2013	11,924			
	576	7.80	August 8, 2013	10,714			
	4,000	7.81	October 1, 2013	74,360			
	578	7.78	October 17, 2013	10,762			
	521	8.64	February 6, 2014	9,253			
	574	8.70	April 16, 2014	10,160			
	561	8.91	July 23, 2014	9,812			
	4,000	8.50	October 1, 2014	71,600			
	685	8.02	October 15, 2014	12,590			
	1,040	7.69	January 21, 2015	19,458			
	1,143	7.00	April 29, 2015	22,174			
	1,093	7.32	July 8, 2015	20,854			
	958	8.35	October 14, 2015	17,292			
	4,000	8.55	October 21, 2015	71,400			
	904	9.40	January 20, 2016	15,368			
	979	8.17	April 17, 2016	17,847			
	1,127	7.10	July 7, 2016	21,751			
	1,026	7.80	October 13, 2016	19,084			
	4,000	7.72	November 20, 2016	74,720			
	1,591	8.25	January 19, 2017	28,877			
	1,267	10.36	April 13, 2017	20,323			
	1,112	11.80	July 20, 2017	16,235			
	2,500	11.39	October 1, 2017	37,525			
	1,222	10.74	October 26, 2017	19,137			
	1,306	10.05	February 1, 2018	21,353			
	1,128	11.64	April 11, 2018	16,649			
	1,204	10.90	August 1, 2018	18,662			

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market Payout value of vested share-based awards not paid out or distributed ^{(b)(c)} (\$)
	2,500	9.31	October 1, 2018	42,725			
	1,450	9.05	October 24, 2018	25,158			
	1,546	10.11	January 30, 2019	25,184			
	1,440	10.85	April 24, 2019	22,392			
	1,464	10.67	July 31, 2019	23,029			
	2,500	12.54	September 30, 2019	34,650			
	1,178	13.26	October 22, 2019	15,479			
	1,079	14.48	January 27, 2020	12,862			
	1,007	15.51	April 22, 2020	10,966			
	1,059	14.76	July 29, 2020	12,327			
	2,500	15.49	September 30, 2020	27,275			
	979	15.96	October 21, 2021	10,221			
	1,459	19.28	January 27, 2021	10,388			
	1,385	20.30	April 24, 2021	8,449			
	1,371	20.51	July 28, 2021	8,075			
	4,000	19.71	September 30, 2021	26,760			
	1,457	19.30	October 20, 2021	10,345			
	967	19.39	January 26, 2022	6,779			
	880	21.31	April 19, 2022	4,479			
	782	23.99	July 26, 2022	1,885			
							603,425
Total:				1,051,117			603,425

Name and title	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market Payout value of vested share-based awards not paid out or distributed ^{(b)(c)} (\$)
Donna S. Morea							
	48,750	8.55	December 31, 2014	870,188			
	125,000	11.39	December 31, 2014	1,876,250			
	171,875	12.54	December 31, 2014	2,382,188			
	203,125	15.49	December 31, 2014	2,216,094			
	4,000	20.25	January 31, 2022	24,600			
	1,155	21.31	April 19, 2022	5,879			

	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options ^(a) (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ^(b) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market Payout value of vested share-based awards not paid out or distributed ^{(b)(c)} (\$)
Name and title							
	1,587	23.99	July 26, 2022	3,825			
							36,168
			Total:	7,379,022			36,168

(a) Shows stock options held as at the end of the fiscal year ended September 30, 2012.

(b) Based on \$26.40, the closing price of the Company's Class A subordinate voting shares on the Toronto Stock Exchange on September 30, 2012.

(c) Shows the aggregate payout value of DSUs held as at the end of the fiscal year ended September 30, 2012.



SECTION 2: CGI GROUP HISTORICAL FINANCIAL INFORMATION

Form 40-F 2010.....	Pages F-1 – F-230
Form 40-F/A 2010.....	Pages F-231 – F-293
Form 40-F 2011.....	Pages F-294 – F-553
Form 40-F 2012.....	Pages F-554 – F-831
Form 6-K.....	Pages F-832 – F-887
Form 6-K Review Report.....	Page F-888
Logica Pre-Acquisition Financial Information.....	Pages F-889 – F-901

40-F 1 m65818e40vf.htm 40-F

**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
7th 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:

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

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

None
(Title of Class)

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

None

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

☒ Annual Information Form ☒ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 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 ☐ 82-____ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

- (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

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.

Tabular Presentation of Contractual Obligations

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

Contractual Obligations (in '000 of Canadian dollars)	Payment due by period				
	Total	Less than 1 year	2 nd and 3 rd years	4 th and 5 th years	After 5 years
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 ⁽¹⁾	917,834	135,003	223,209	172,874	386,748
Purchase Obligations	118,084	64,600	46,374	6,482	628
Total	<u>2,189,794</u>	<u>314,180</u>	<u>1,270,733</u>	<u>214,619</u>	<u>390,262</u>

(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

TABLE OF CONTENTS

<u>INCORPORATION AND DESCRIPTION OF CAPITAL STOCK</u>	1
<u>Corporate Structure</u>	1
<u>Subsidiaries</u>	1
<u>Capital Structure</u>	2
<u>Stock Splits</u>	2
<u>Market for Securities, Trading Price and Volume</u>	2
<u>Normal Course Issuer Bid and Share Repurchases</u>	3
<u>CORPORATE GOVERNANCE</u>	3
<u>Board and Standing Committee Charters and Codes of Ethics</u>	3
<u>Audit Committee Information</u>	3
<u>Directors and Officers</u>	3
<u>Directors</u>	3
<u>Officers</u>	3
<u>Ownership of Securities on the Part of Directors and Officers</u>	5
<u>DESCRIPTION OF CGI'S BUSINESS</u>	5
<u>Mission and Vision</u>	5
<u>Business Structure</u>	5
<u>Services Offered by CGI</u>	5
<u>Management of IT and business functions ("outsourcing")</u>	6
<u>Consulting and Systems Integration</u>	6
<u>Markets for CGI's services</u>	6
<u>Client Base</u>	6
<u>Human Resources</u>	6
<u>CGI Offices and Global Delivery Model</u>	7
<u>Commercial Alliances</u>	7
<u>Quality Processes</u>	7
<u>The Information Technology Services Industry</u>	8
<u>Size, Structure and Recent Developments</u>	8
<u>Industry Trends and Outlook</u>	8
<u>CGI's Growth and Positioning Strategy</u>	8
<u>Significant developments of the most recent three fiscal years</u>	9
<u>Key Performance Measures</u>	9
<u>Fiscal Year ended September 30, 2010</u>	10
<u>Fiscal Year ended September 30, 2009</u>	14
<u>Fiscal Year ended September 30, 2008</u>	17
<u>FORWARD LOOKING INFORMATION AND RISK FACTORS</u>	19
<u>Forward-Looking Information</u>	19
<u>Risk Factors</u>	19
<u>Risks Related to the Market</u>	20
<u>Economic risk</u>	20
<u>Risks Related to our Industry</u>	20
<u>The competition for contracts</u>	20
<u>The length of the sales cycle for major outsourcing contracts</u>	20
<u>The availability and retention of qualified IT professionals</u>	20
<u>The ability to develop and expand service offerings</u>	20
<u>Infringing on the intellectual property rights of others</u>	21
<u>Benchmarking provisions within certain contracts</u>	21
<u>Protecting our intellectual property rights</u>	21
<u>Risks Related to our Business</u>	21
<u>Business mix variations</u>	21
<u>The financial and operational risks inherent in worldwide operations</u>	21
<u>Credit risk with respect to accounts receivable</u>	22
<u>Material developments regarding major commercial clients</u>	22
<u>Early termination risk</u>	22
<u>Cost estimation risks</u>	22
<u>Risks related to teaming agreements and subcontracts</u>	23
<u>Our partners' ability to deliver on their commitments</u>	23

ii

Guarantees risk	23
Risk related to human resources utilization rates	23
Client concentration risk	23
Government business risk	23
Regulatory risk	24
Legal claims made against our work	24
Information and infrastructure risks	24
Risk of harm to our reputation	25
Risks associated with acquisitions	25
Risks associated with the integration of new operations	25
Liquidity and funding risks	25
 LEGAL PROCEEDINGS	 25
 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	 26
 TRANSFER AGENT AND REGISTRAR	 26
 AUDITORS	 26
 ADDITIONAL INFORMATION	 26
 APPENDIX A	 27
 Fundamental Texts	 27

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.

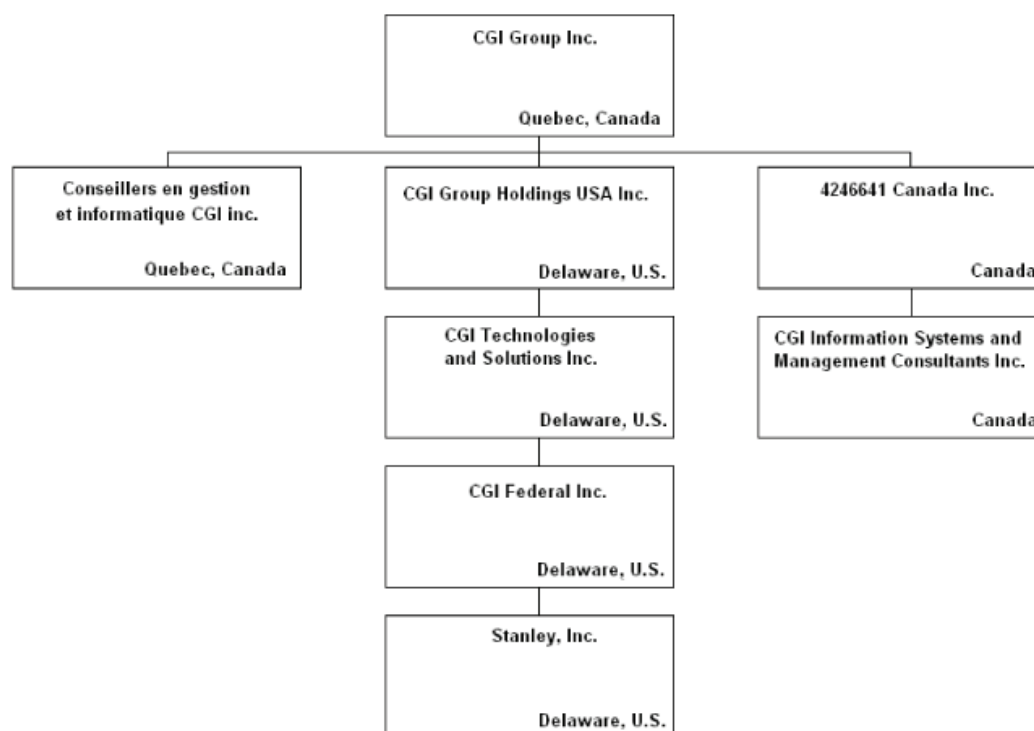
INCORPORATION AND DESCRIPTION OF CAPITAL STOCK

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.

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 and on CGI's web site at 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 ^(a) (\$)	Low ^(a) (\$)	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.

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 and on CGI's web site at 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 and on CGI's web site at 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:

Name and place of residence	Principal occupation
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

Name and place of residence	Principal occupation
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.

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 and on CGI's web site at 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.

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>		
Segment	2010	2009
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
Total	\$3,732,117	\$3,825,161

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*®, *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.

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 and on CGI's web site at 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.

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 client's 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.

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	•	<i>Adjusted EBIT</i> — 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.
	•	<i>Diluted earnings per share from continuing operations attributable to shareholders of CGI</i> — is a measure of earnings generated for shareholders on a per share basis, assuming all in-the-money options outstanding are exercised.
Liquidity	•	<i>Cash provided by continuing operating activities</i> — is a measure of cash generated from managing our day-to-day business operations. We believe strong operating cash flow is indicative of financial flexibility, allowing us to execute our corporate strategy.
	•	<i>Days sales outstanding</i> — is the average number of days to convert our trade receivables and work in progress into cash. Management tracks this metric closely to ensure timely collection, healthy liquidity, and is committed to maintaining a DSO below its 45-day target.

Growth	• <i>Constant currency growth</i> — 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. • <i>Backlog</i> — 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. • <i>Book-to-Bill ratio</i> — is a measure of the proportion of contract wins to our revenue in the period. This metric allows management to monitor the company's business development efforts to ensure we grow our backlog and our business over time. Management remains committed to maintaining a target ratio greater than 100% over a 12-month period. 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	• <i>Net Debt to Capitalization ratio</i> — 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. • <i>Return on Equity</i> — 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. • <i>Return on Invested Capital</i> — 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.
-

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.

12

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.		

13

Announcement Date	Client	Duration	Value
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.		
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.		

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.

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

Announcement Date	Client	Duration	Value
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.		

16

Announcement Date	Client	Duration	Value
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 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.		

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.

- 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), 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) 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.

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.

*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 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.

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.

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 and on the Company's web site at www.cgi.com as well as at the Company's head office:

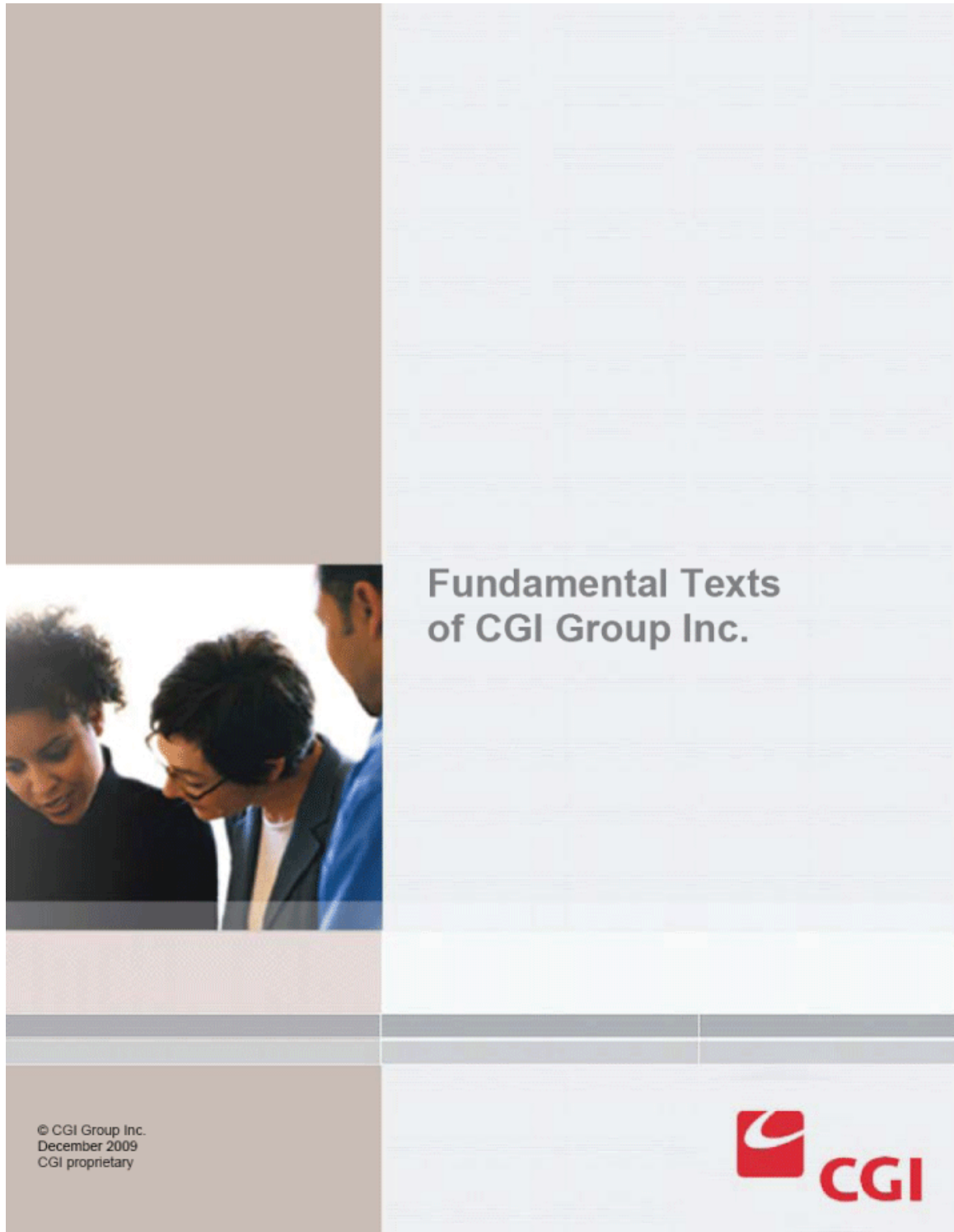
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27

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



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:

<u>Presentation</u>	1
<u>1. Dream, Mission, Vision and Values</u>	2
<u>2. CGI Management Foundation</u>	12
<u>3. Documents and Policies Pertaining to Corporate Governance</u>	17
<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
<u>4. Codes of Ethics</u>	48
<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 Insiders</u>	70
<u>Appendix</u>	94

1



1.
Dream, Mission, Vision
and Values



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.

3

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

5

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.

11

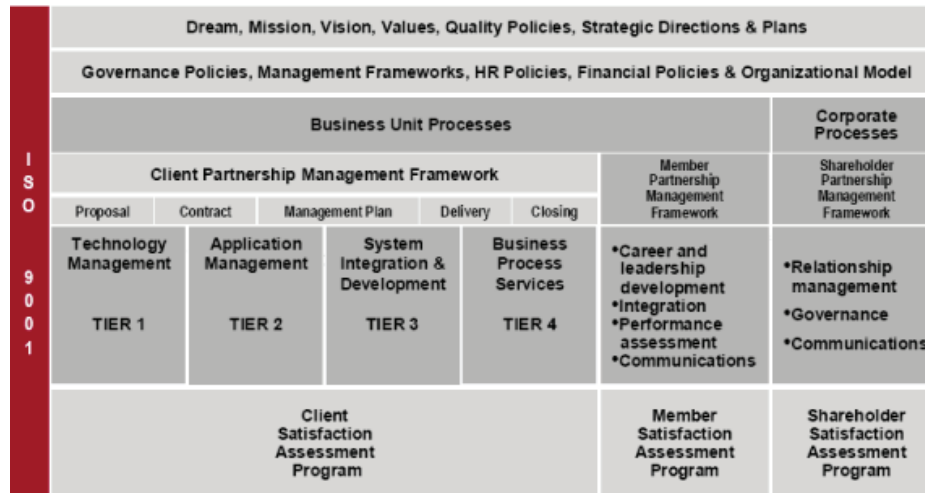


2. CGI Management Foundation



CGI Management Foundation

INTRODUCTION



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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.

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

Business Unit Processes					Corporate Processes	
Client Partnership Management Framework					Member Partnership Management Framework	Shareholder Partnership Management Framework
Proposal	Contract	Management Plan	Delivery	Closing		
Technology Management	Application Management	System Integration & Development	Business Process Management		- Career and Leadership Development - Integration - Performance Assessment - Communications	- Relationship Management - Governance - Communications
Tier 1	Tier 2	Tier 3	Tier 4			
(CMM level 5)						

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

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

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

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.

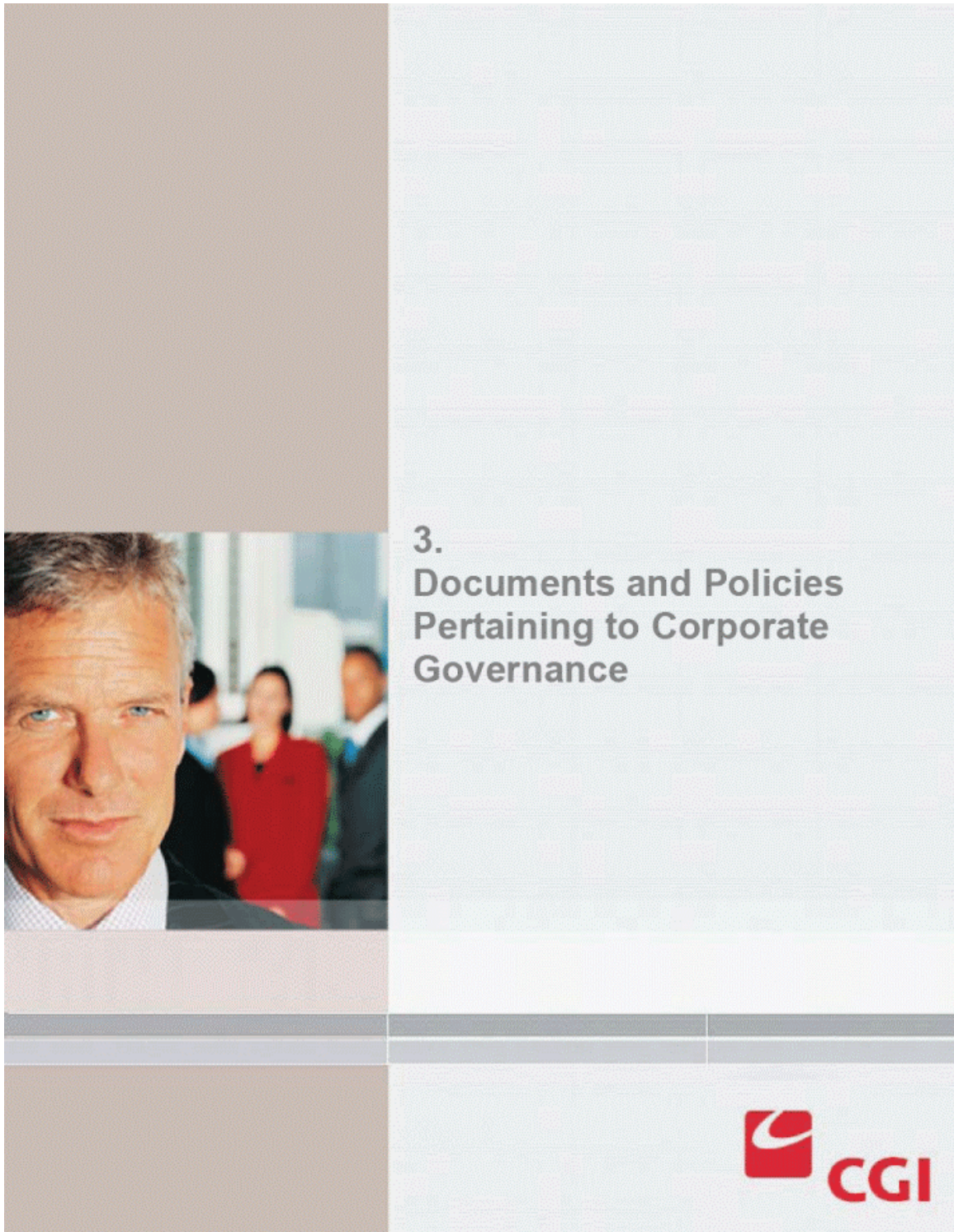
The Shareholder Partnership Management Framework describes our information and relationship program with our investors beyond the prescribed activities associated with corporate governance, transparency and the disclosure of results.

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.



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.

- 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.

26

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 coordination 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.

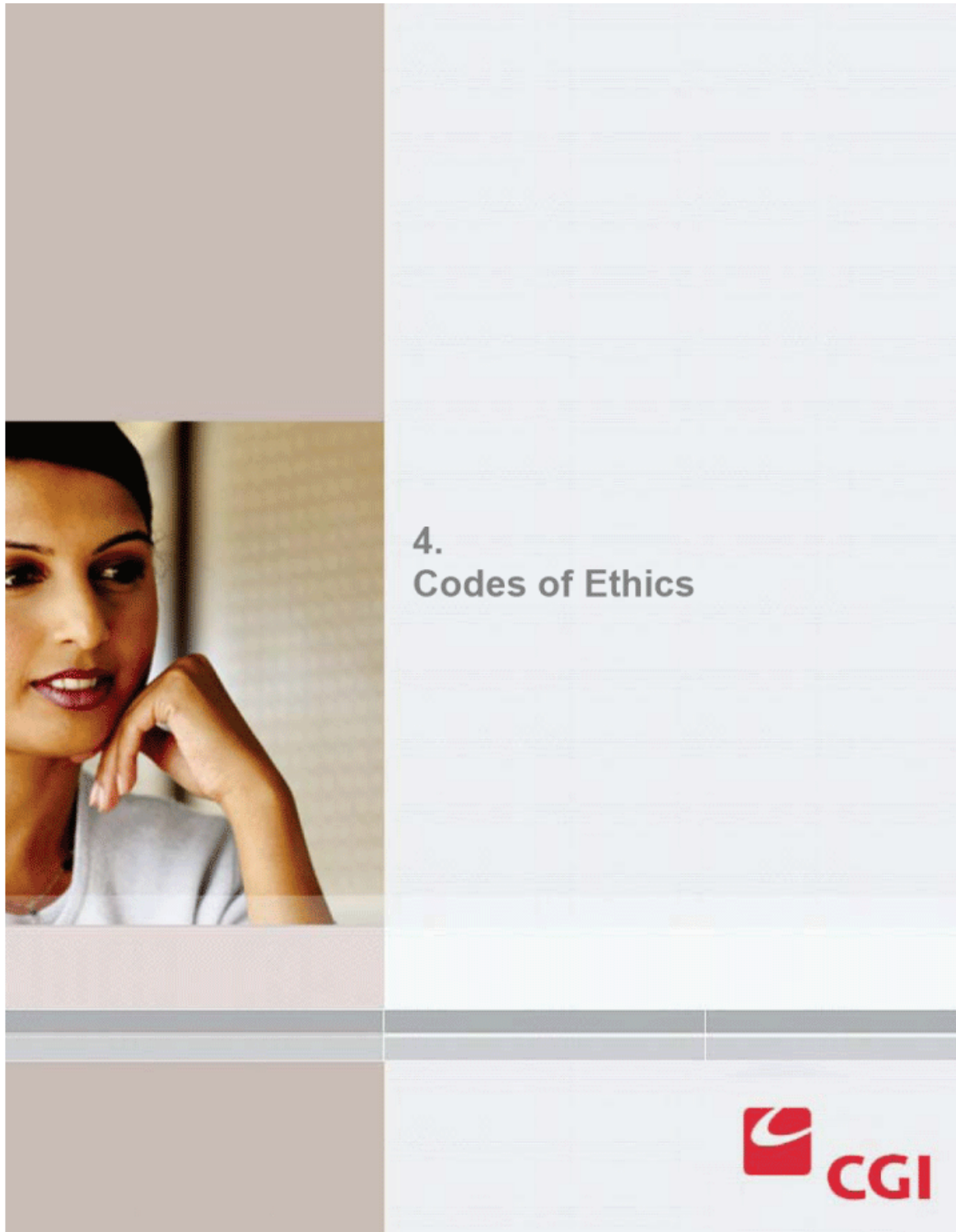
5.10.16 The Committee shall report regularly to the Board of Directors on its proceedings, reviews undertaken and any associated recommendations.

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.

47



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

49

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.

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 distances charges will be at the expense of CGI. For those who wish to submit incident reports online, a link to the incident reporting web site is provided on CGI's Enterprise Portal or members may access the incident reporting system directly at www.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 DISCLOSURE¹

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")² 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"³ and "material facts"⁴ 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.

¹ Definitions provided in Sections I and II apply only to those Sections.

² 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.

³ 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.

⁴ 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 material⁵, 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;

⁵ 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 material⁶. 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.

⁶ 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 known⁷. 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;

⁷ 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 relationship⁸ 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 investors⁹.

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;

⁸ 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.

⁹ 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”¹⁰.

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 disclosure¹¹, 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;

¹⁰ 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.

¹¹ 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 website¹² 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.

¹² 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)¹³ 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 Act¹⁴.

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.

¹³ Which became effective on October 23, 2000.

¹⁴ 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).

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



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

CGI group Inc. 2010 Annual report

40

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)¹

Ernst & Young LLP
Chartered Accountants
Montréal, Canada
November 8, 2010

¹ Chartered accountant auditor permit No. 15859

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)¹

Ernst & Young LLP
Chartered Accountants
Montréal, Canada
November 8, 2010

¹ 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)
	\$	\$	\$
Revenues	3,732,117	3,825,161	3,705,863
Operating expenses			
Costs of services, selling and administrative (Note 17)	3,025,823	3,170,406	3,110,760
Amortization (Note 14)	195,308	195,761	163,172
Acquisition-related and integration costs (Note 18a)	20,883	—	—
Interest on long-term debt	17,123	18,960	27,284
Interest income	(2,419)	(2,908)	(5,570)
Other (income) expenses	(952)	3,569	3,341
Foreign exchange (gain) loss	(916)	(1,747)	1,445
Gain on sale of capital assets	(469)	—	—
	3,254,381	3,384,041	3,300,432
Earnings from continuing operations before income taxes	477,736	441,120	405,431
Income tax expense (Note 16)	114,970	125,223	106,297
Earnings from continuing operations	362,766	315,897	299,134
Earnings (loss) from discontinued operations, net of income taxes (Note 19)	—	1,308	(5,134)
Net earnings	362,766	317,205	294,000
Attributable to:			
Shareholders of CGI Group Inc.			
Earnings from continuing operations	362,386	315,158	298,266
Earnings (loss) from discontinued operations	—	1,308	(5,134)
Net earnings attributable to shareholders of CGI Group Inc.	362,386	316,466	293,132
Non-controlling interest			
Net earnings attributable to non-controlling interest	380	739	868
Net earnings	362,766	317,205	294,000
Basic earnings (loss) per share attributable to shareholders of CGI Group Inc.			
Continuing operations (Note 13)	1.27	1.03	0.94
Discontinued operations	—	—	(0.02)
	1.27	1.03	0.92
Diluted earnings (loss) per share attributable to shareholders of CGI Group Inc.			
Continuing operations (Note 13)	1.24	1.02	0.92
Discontinued operations	—	—	(0.02)
	1.24	1.02	0.90

See Notes to the consolidated financial statements.

CGI group Inc. 2010 Annual report

44

Consolidated Statements of Comprehensive Income

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

See Notes to the consolidated financial statements.

Consolidated Statements of Retained Earnings

Years ended September 30 (in thousands of Canadian dollars)	2010	2009 (Restated Note 2a)	2008 (Restated Note 2a)
	\$	\$	\$
Retained earnings, beginning of year	1,182,237	921,380	750,138
Net earnings attributable to shareholders of CGI Group Inc.	362,386	316,466	293,132
Excess of purchase price over carrying value of Class A subordinate shares acquired (Note 11)	(347,940)	(55,609)	(121,890)
Change in subsidiary investment	(297)	—	—
Retained earnings, end of year	1,196,386	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)
	\$	\$
Assets		
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
	4,607,191	3,899,910
Liabilities		
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
	2,448,108	1,618,314
Commitments, contingencies and guarantees (Note 25)		
Shareholders' equity		
Retained earnings	1,196,386	1,182,237
Accumulated other comprehensive loss (Note 15)	(321,746)	(285,990)
	874,640	896,247
Capital stock (Note 11)	1,195,069	1,298,270
Contributed surplus (Note 12c)	82,922	80,737
Equity attributable to shareholders of CGI Group Inc.	2,152,631	2,275,254
Equity attributable to non-controlling interest	6,452	6,342
	2,159,083	2,281,596
	4,607,191	3,899,910

See Notes to the consolidated financial statements.

Approved by the Board

(signed)
Director
Michael E. Roach

(signed)
Director
Serge Godin

CGI group Inc. 2010 Annual report

46

Consolidated Statements of Cash Flows

Years ended September 30 (in thousands of Canadian dollars)	2010	2009 (Restated Note 2a)	2008 (Restated Note 2a)
	\$	\$	\$
Operating activities			
Earnings from continuing operations	362,766	315,897	299,134
Adjustments for:			
Amortization (Note 14)	219,740	218,087	186,120
Future income taxes (Note 16)	(21,417)	29,300	(22,675)
Foreign exchange (gain) loss	(828)	723	1,846
Stock-based compensation (Note 12a)	15,517	8,617	5,131
Gain on sale of capital assets	(469)	—	—
Net change in non-cash working capital items (Note 21a)	(22,942)	57,620	(113,886)
Cash provided by continuing operating activities	552,367	630,244	355,670
Investing activities			
Purchase of short-term investments	(12,940)	—	—
Business acquisitions (net of cash acquired) (Note 18)	(899,564)	(997)	(3,911)
Proceeds from sale of assets and businesses (net of cash disposed)	4,100	4,991	29,238
Purchase of capital assets	(47,684)	(69,212)	(60,983)
Proceeds from disposal of capital assets	896	—	—
Additions to intangible assets	(69,722)	(62,367)	(60,942)
Decrease in other long-term assets	—	—	3,019
Cash used in continuing investing activities	(1,024,914)	(127,585)	(93,579)
Financing activities			
Use of credit facilities	939,394	144,694	90,305
Repayment of credit facilities	(82,684)	(157,505)	(196,533)
Repayment of long-term debt	(125,168)	(117,752)	(10,153)
Proceeds on settlement of forward contracts (Note 10)	—	18,318	—
Repurchase of Class A subordinate shares (including share repurchase costs)	(516,699)	(101,698)	(216,208)
Issuance of shares	53,039	16,141	32,423
Change in subsidiary investment	(571)	(425)	—
Cash provided by (used in) continuing financing activities	267,311	(198,227)	(300,166)
Effect of foreign exchange rate changes on cash and cash equivalents from continuing operations	(10,367)	(11,300)	398
Net (decrease) increase in cash and cash equivalents from continuing operations	(215,603)	293,132	(37,677)
Net cash and cash equivalents provided by (used in) discontinued operations (Note 19)	—	161	(1,068)
Cash and cash equivalents, beginning of year	343,427	50,134	88,879
Cash and cash equivalents, end of year (Note 3)	127,824	343,427	50,134

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

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

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

Note 4

Accounts receivable

	2010	2009
	\$	\$
Trade	349,349	317,647
Other ¹	74,577	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

	2010		
	Cost	Accumulated amortization	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

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

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 ¹	109,899	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 ²	964,223	126,043
Obligations bearing a weighted average interest rate of 4.00% and repayable in blended monthly instalments maturing at various dates until 2018	22,049	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	57,705	37,147
	1,153,876	283,130
Current portion	114,577	17,702
	1,039,299	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

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		Total	
	Number	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 ¹	(20,488,168)	(90,748)	—	—	(20,488,168)	(90,748)
Repurchased and not cancelled ¹	—	(847)	—	—	—	(847)
Issued upon exercise of options ²	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 ¹	(9,708,292)	(44,272)	—	—	(9,708,292)	(44,272)
Issued upon exercise of options ²	2,221,032	22,870	—	—	2,221,032	22,870
Conversion of shares ³	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 ¹	(35,602,085)	(168,759)	—	—	(35,602,085)	(168,759)
Issued upon exercise of options ²	6,008,766	65,558	—	—	6,008,766	65,558
Balance, September 30, 2010	237,684,791	1,148,182	33,608,159	46,887	271,292,950	1,195,069

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:

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

Range of exercise price	Options outstanding			Options exercisable	
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
			\$		\$
2.06 to 5.20	10,729	0.51	2.57	10,729	2.57
6.05 to 6.98	2,255,941	4.48	6.48	2,255,941	6.48
7.00 to 7.87	3,408,828	4.57	7.74	3,408,828	7.74
8.00 to 8.99	4,417,145	3.43	8.62	4,417,145	8.62
9.05 to 9.90	4,832,132	7.50	9.34	1,692,713	9.40
10.05 to 11.80	3,566,872	6.99	11.37	2,284,340	11.35
12.54 to 13.26	7,964,939	9.01	12.55	10,799	13.26
14.48 to 15.58	98,897	9.54	14.98	35,897	9.55
	26,555,483	6.58	10.03	14,116,392	8.60

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:

	2010	2009	2008
Stock-based compensation costs (\$)	15,517	8,617	5,131
Dividend yield (%)	0.00	0.00	0.00
Expected volatility (%)	27.32	24.42	23.70
Risk-free interest rate (%)	2.48	3.05	4.09
Expected life (years)	5.00	5.00	5.00
Weighted average grant date fair value (\$)	3.63	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
Balance, September 30, 2010	82,922

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
	Earnings from continuing operations	Weighted average number of shares outstanding ¹	Earnings per share from continuing operations	Earnings from continuing operations	Weighted average number of shares outstanding ¹	Earnings per share from continuing operations	Earnings from continuing operations	Weighted average number of shares outstanding ¹	Earnings per share from continuing operations
	\$		\$	\$		\$	\$		\$
	362,386	284,826,257	1.27	315,158	306,853,077	1.03	298,266	317,604,899	0.94
Dilutive options ²		8,093,693			3,492,164			5,199,388	
	362,386	292,919,950	1.24	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

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

	Balance, as at October 1, 2009	Net changes during the year	Balance, as at September 30, 2010
	\$	\$	\$
Net unrealized losses on translating financial statements of self-sustaining foreign operations (net of accumulated income tax recovery of \$12,686)	(359,423)	(53,598)	(413,021)
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)	61,000	15,806	76,806
Net unrealized gains on cash flow hedges (net of accumulated income tax expense of \$5,336)	12,433	2,036	14,469
	(285,990)	(35,756)	(321,746)

	Balance, as at October 1, 2008	Net changes during the year	Balance, as at September 30, 2009
	\$	\$	\$
Net unrealized losses on translating financial statements of self-sustaining foreign operations (net of accumulated income tax recovery of \$10,464)	(365,672)	6,249	(359,423)
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 October 1, 2007	Net changes during the year	Balance, as at 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:

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

The income tax expense is as follows:

	2010	2009	2008
	\$	\$	\$
Current	136,387	95,923	128,972
Future	(21,417)	29,300	(22,675)
	114,970	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:

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

CGI group Inc. 2010 Annual report

62

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
	82,610	71,033
Valuation allowance	(4,346)	(6,818)
	78,264	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
	247,269	260,879
Future income taxes, net	(169,005)	(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	3,116,425	3,268,995	3,193,270
Tax credits	(90,602)	(98,589)	(82,510)
	3,025,823	3,170,406	3,110,760

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.

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

- 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:

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

- 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.
- 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:

	2010	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:

	2010	2009	
	\$	\$	\$
Balance sheets			
Current assets	38,148	37,608	
Non-current assets	2,992	2,998	
Current liabilities	15,609	14,721	
Non-current liabilities	933	445	
	2010	2009	2008
	\$	\$	\$
Statements of earnings			
Revenue	91,015	101,964	87,887
Expenses	79,597	88,552	77,381
Net earnings	11,418	13,412	10,506

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

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

	2010	2009	2008
	\$	\$	\$
Operating activities			
Accounts receivable	(693)	(1,476)	408
Work in progress	2,707	—	—
Accounts payable and accrued liabilities	—	(1,817)	(2,723)
Deferred revenue	3,750	4,779	—
	5,764	1,486	(2,315)
Investing activities			
Purchase of capital assets	(42,982)	(27,040)	(17,559)
Purchase of intangible assets	(23,708)	(4,779)	(13,185)
	(66,690)	(31,819)	(30,744)
Financing activities			
Increase in obligations under capital leases	38,200	27,040	17,559
Increase in obligations	22,033	—	13,185
Issuance of shares	693	1,476	(408)
Repurchase of Class A subordinate shares	—	1,817	2,723
	60,926	30,333	33,059

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

	2010	2009	2008
	\$	\$	\$
Interest paid	13,254	16,558	26,847
Income taxes paid	104,724	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.

	2010			
	Canada	U.S. & India	Europe & Asia Pacific	Corporate
	\$	\$	\$	\$
Segment revenue	2,170,082	1,483,593	242,152	—
Intersegment revenue elimination	(57,670)	(83,194)	(22,846)	—
Revenue	2,112,412	1,400,399	219,306	—
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 ¹	375,998	192,305	89	(56,490)
Total assets	2,083,675	2,166,397	180,780	176,339

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			
	Canada	U.S. & India	Europe & Asia Pacific	Corporate
	\$	\$	\$	\$
Segment revenue	2,216,042	1,421,366	305,417	—
Intersegment revenue elimination	(36,383)	(59,579)	(21,702)	—
Revenue	2,179,659	1,361,787	283,715	—
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 ¹	320,702	171,965	18,639	(50,565)
Total assets	2,341,074	985,289	197,619	375,928

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.

	2008			
	Canada	U.S. & India	Europe & Asia Pacific	Corporate
	\$	\$	\$	\$
Segment revenue	2,356,629	1,137,457	296,745	—
Intersegment revenue elimination	(21,063)	(50,944)	(12,961)	—
Revenue	2,335,566	1,086,513	283,784	—
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 ¹	332,827	129,401	24,692	(56,434)
Total assets	2,274,589	1,113,303	197,900	94,766

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:

	2010	2009
	\$	\$
Capital assets		
Canada	161,993	155,072
U.S.	59,306	40,528
Other	16,725	16,818
	238,024	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:

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

	2010	2009
	\$	\$
Accounts receivable	681	10,542
Work in progress	1,076	5,937
Contract costs	6,210	8,706
Deferred revenue	1,012	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 \$
Hedge on net investments in self-sustaining foreign subsidiaries			
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	947,416	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	16,807	18,823
Cash flow hedges on future revenue			
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	8,918	8,303
	Other long-term assets	11,433	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	2,378	1,495
	Other long-term assets	1,121	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	1,570	2,005
	Other long-term liabilities	3,396	7,570
Cash flow hedges on Senior U.S. unsecured notes			
US\$107,000 foreign currency forward contracts (US\$107,000 as at September 30, 2009)	Other current asset	1,277	—
	Other long-term assets	763	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.

CGI group Inc. 2010 Annual report

72

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:

	2010	2009
	\$	\$
Not past due	301,106	267,784
Past due 1-30 days	28,864	9,183
Past due 31-60 days	5,738	13,086
Past due 61-90 days	5,018	4,979
Past due more than 90 days	20,147	33,737
	360,873	328,769
Allowance for doubtful accounts	(11,524)	(11,122)
	349,349	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	(Restated
	\$	Note 2a)	Note 2a)
	\$	\$	\$
Reconciliation of net earnings:			
Net earnings — Canadian GAAP	362,766	317,205	294,000
Adjustments for:			
Stock-based compensation (i)	(213)	(3,759)	(4,127)
Warrants (ii)	863	1,404	(5,721)
Reversal of income tax provision (iii)	—	(517)	(7,452)
Other (iv)	(140)	594	216
Net earnings — U.S. GAAP	363,276	314,927	276,916
Attributable to:			
Shareholders of CGI Group Inc.	362,896	314,188	276,048
Non-controlling interest	380	739	868
Basic earnings per share attributable to shareholders of CGI Group Inc. — U.S. GAAP	1.27	1.02	0.87
Diluted earnings per share attributable to shareholders of CGI Group Inc. — U.S. GAAP	1.24	1.01	0.86
Net earnings — U.S. GAAP	363,276	314,927	276,916
Other comprehensive (loss) income	(35,756)	35,434	64,649
Comprehensive income — U.S. GAAP	327,520	350,361	341,565
Attributable to:			
Shareholders of CGI Group Inc.	327,140	349,622	340,697
Non-controlling interest	380	739	868
Reconciliation of shareholders' equity:			
Equity attributable to shareholders of CGI Group Inc. — Canadian GAAP	2,152,631	2,275,254	1,997,001
Adjustments for:			
Stock-based compensation (ix)	58,411	58,411	58,411
Warrants (ii)	(7,125)	(7,988)	(9,392)
Reversal of income tax provision (iii)	(7,969)	(7,969)	(7,452)
Unearned compensation (v)	(3,694)	(3,694)	(3,694)
Integration costs (vi)	(6,606)	(6,606)	(6,606)
Goodwill (vii)	28,078	28,078	28,078
Income taxes and adjustment for change in accounting policy (viii)	9,715	9,715	9,715
Other (iv)	(3,405)	(3,265)	(3,859)
Equity attributable to shareholders of CGI Group Inc. — U.S. GAAP	2,220,036	2,341,936	2,062,202
Equity attributable to non-controlling interest — Canadian and U.S. GAAP	6,452	6,342	5,922

CGI group Inc. 2010 Annual report

76

(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), the Company's Annual Information Form filed with the Canadian securities authorities (filed on SEDAR at 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

Lorne Gorber
Senior Vice-President, Global Communications & Investor Relations
Telephone: (514) 841-3355
lorne.gorber@cgi.com

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.

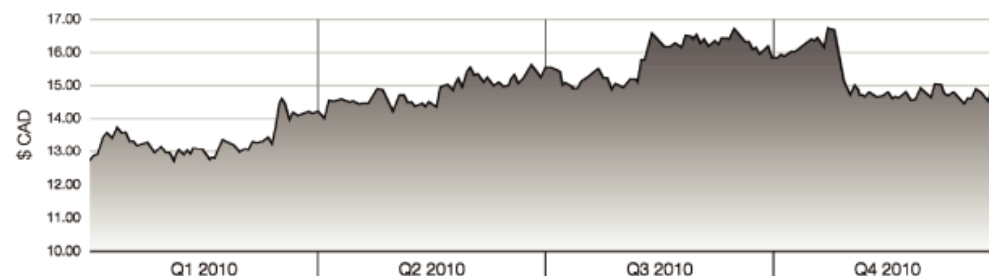
TSX	(CDN\$)
Open:	12.50
High:	16.80
Low:	12.07
Close:	15.49

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	- 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. - 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.

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
Growth					
Backlog ¹ (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 ²	3.4%	-1.9%	5.3%		
Profitability					
Adjusted EBIT ³	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) ⁴	1.27	1.03	0.94	23.3%	9.6%
Diluted EPS from continuing operations (in dollars) ⁴	1.24	1.02	0.92	21.6%	10.9%
Basic EPS (in dollars) ⁴	1.27	1.03	0.92	23.3%	12.0%
Diluted EPS (in dollars) ⁴	1.24	1.02	0.90	21.6%	13.3%
Liquidity					
Cash provided by continuing operating activities	552,367	630,244	355,670	-12.4%	77.2%
Days sales outstanding ⁵	47	39	50	20.5%	-22.0%
Capital structure					
Net debt to capitalization ratio ⁶	30.6%	n/a	14.0%		
Return on equity ⁷	16.4%	14.2%	15.6%		
Return on invested capital ⁸	16.3%	14.0%	14.0%		
Balance sheet					
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 ⁹	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.

CGI group Inc. 2010 Annual report

12

SIGNIFICANT BOOKINGS IN THE YEAR

Announcement Date	Client	Duration	Value
October 5, 2009	U.S. Environmental Protection Agency ("EPA") 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.	Seven years	Not released
November 3, 2009	Yellow Pages Group 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.	10-year extension	\$100 million
November 5, 2009	U.S. Department of Housing and Urban Development ("HUD") 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.	One year renewal	US\$58.1 million
December 15, 2009	North American financial institutions 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.	New contracts & renewals	\$1.1 billion
January 19, 2010	U.S. Department of State and U.S. Agency for International Development 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.	10 years	US\$395 million
April 6, 2010	Telekomunikacja Polska Group 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.	Three years	Not released
May 4, 2010	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.	10 years	US\$168 million
May 18, 2010	Centers for Medicare & Medicaid Services 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.	Five years	US\$73.2 million
June 17, 2010	State of Maine 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.	11 years	Not released
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
CGI group Inc.	2010 Annual report		13

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	1.0298	1.0722	1.0599	-4.0%	1.2%
Euro	1.4006	1.5686	1.4923	-10.7%	5.1%
Indian rupee	0.0231	0.0223	0.0228	3.6%	-2.2%
British pound	1.6198	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	1.0407	1.1804	1.0093	-11.8%	17.0%
Euro	1.4116	1.5944	1.5176	-11.5%	5.1%
Indian rupee	0.0226	0.0242	0.0246	-6.6%	-1.6%
British pound	1.6227	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%
IT services	50%
Business process services	11%
Systems integration and consulting	39%

By Geography

Canada	56%
U.S.	38%
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
Total CGI Revenue	3,732,117	3,825,161	3,705,863	-2.4%	3.2%
Variation prior to foreign currency impact	3.4%	-1.9%	5.3%		
Foreign currency impact	-5.8%	5.1%	-3.3%		
Variation over previous period	-2.4%	3.2%	2.0%		
Canada					
Revenue prior to foreign currency impact	2,121,123	2,179,659	2,335,566	-2.7%	-7.0%
Foreign currency impact	(8,711)				
Canada revenue	2,112,412	2,179,659	2,335,566	-3.1%	-6.7%
U.S.					
Revenue prior to foreign currency impact	1,588,746	1,361,787	1,086,513	16.7%	8.5%
Foreign currency impact	(188,347)				
U.S. revenue	1,400,399	1,361,787	1,086,513	2.8%	25.3%
Europe					
Revenue prior to foreign currency impact	245,522	283,715	283,784	-13.5%	0.4%
Foreign currency impact	(26,216)				
Europe revenue	219,306	283,715	283,784	-22.7%	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)	2010	% of Revenue	2009	% of Revenue	2008	% of Revenue
Costs of services, selling and administrative	3,025,823	81.1%	3,170,406	82.9%	3,110,760	83.9%
Foreign exchange (gain) loss	(916)	0.0%	(1,747)	0.0%	1,445	0.0%
Total amortization	195,308	5.2%	195,761	5.1%	163,172	4.4%
Capital assets	72,067	1.9%	61,412	1.6%	43,455	1.2%
Contract costs related to transition costs	30,396	0.8%	22,377	0.6%	17,925	0.5%
Other intangible assets	92,845	2.5%	100,829	2.6%	101,792	2.7%
Impairment of other intangible assets	—	0.0%	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	375,998	320,702	332,827	17.2%	-3.6%
As a percentage of Canada revenue	17.8%	14.7%	14.3%		
U.S.	192,305	171,965	129,401	11.8%	32.9%
As a percentage of U.S. revenue	13.7%	12.6%	11.9%		
Europe	89	18,639	24,692	-99.5%	-24.5%
As a percentage of Europe revenue	0.0%	6.6%	8.7%		
Corporate	(56,490)	(50,565)	(56,434)	11.7%	-10.4%
As a percentage of revenue	-1.5%	-1.3%	-1.5%		
Adjusted EBIT	511,902	460,741	430,486	11.1%	7.0%
Adjusted EBIT margin	13.7%	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	(56,490)	(50,565)	(56,434)	(5,925)	5,869
As a percentage of revenue	-1.5%	-1.3%	-1.5%		
Foreign exchange (gain) loss	(916)	(1,747)	1,445	831	(3,192)
Corporate adjusted EBIT excluding foreign exchange (gain) loss	(57,406)	(52,312)	(54,989)	(5,094)	2,677
As a percentage of revenue	-1.5%	-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	511,902	13.7%	460,741	12.0%	430,486	11.6%
Acquisition-related and integration costs	20,883	0.6%	—	0.0%	—	0.0%
Interest on long-term debt	17,123	0.5%	18,960	0.5%	27,284	0.7%
Interest income	(2,419)	-0.1%	(2,908)	-0.1%	(5,570)	-0.2%
Other (income) expenses	(952)	0.0%	3,569	0.1%	3,341	0.1%
Gain on sale of capital assets	(469)	0.0%	—	0.0%	—	0.0%
Earnings from continuing operations before income taxes	477,736	12.8%	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	2008	Change 2010/2009	Change 2009/2008
Earnings from continuing operations	362,766	315,897	299,134	14.8%	5.6%
Margin	9.7%	8.3%	8.1%		
Earnings (loss) from discontinued operations, net of income taxes	—	1,308	(5,134)	-100.0%	-125.5%
Net earnings	362,766	317,205	294,000	14.4%	7.9%
Margin	9.7%	8.3%	7.9%		
Weighted average number of shares					
Class A subordinate shares and Class B shares (basic)	284,826,257	306,853,077	317,604,899	-7.2%	-3.4%
Class A subordinate shares and Class B shares (diluted)	292,919,950	310,345,241	322,804,287	-5.6%	-3.9%
Earnings per share (in dollars)¹					
Basic EPS from continuing operations	1.27	1.03	0.94	23.3%	9.6%
Diluted EPS from continuing operations	1.24	1.02	0.92	21.6%	10.9%
Basic EPS	1.27	1.03	0.92	23.3%	12.0%
Diluted EPS	1.24	1.02	0.90	21.6%	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	552,367	630,244	355,670	(77,877)	274,574
Cash used in continuing investing activities	(1,024,914)	(127,585)	(93,579)	(897,329)	(34,006)
Cash provided by (used in) continuing financing activities	267,311	(198,227)	(300,166)	465,538	101,939
Effect of foreign exchange rate changes on cash and cash equivalents from continuing operations	(10,367)	(11,300)	398	933	(11,698)
Net (decrease) increase in cash and cash equivalents from continuing operations	(215,603)	293,132	(37,677)	(508,735)	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 ¹	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	—
Total contractual obligations	2,189,794	314,180	1,270,733	214,619	314,056	76,206

¹ 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)	Total commitment	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 ¹	1,500,000	519,931	980,069 ²
Lines of credit and other facilities ¹	25,000	25,000	—
Total	1,525,000	685,951	980,069²

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)

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

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

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

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)

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

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

1 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

As at and for the three months ended (in thousands 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	Dec. 31, 2008
Growth								
Backlog (in millions of dollars)	13,320	11,358	11,420	11,410	10,893	11,772	12,019	11,400
Bookings (in millions of dollars)	1,083	838	1,131	1,591	549	1,059	1,676	775
Book-to-bill ratio	108%	93%	124%	174%	59%	111%	177%	78%
Revenue	1,007,056	901,614	910,441	913,006	926,051	950,419	948,319	1,000,372
Year-over-year growth	8.7%	-5.1%	-4.0%	-8.7%	-0.3%	0.0%	1.9%	11.7%
Constant currency growth	13.8%	0.7%	3.5%	-3.7%	-1.4%	-4.5%	-5.6%	4.3%
Profitability								
Adjusted EBIT	139,801	128,702	123,963	119,436	126,128	113,135	107,250	114,228
Adjusted EBIT margin	13.9%	14.3%	13.6%	13.1%	13.6%	11.9%	11.3%	11.4%
Earnings from continuing operations	84,076	85,880	81,591	111,219	82,640	76,678	76,590	79,989
Earnings from continuing operations margin	8.3%	9.5%	9.0%	12.2%	8.9%	8.1%	8.1%	8.0%
Net earnings	84,076	85,880	81,591	111,219	82,640	76,678	77,813	80,074
Net earnings margin	8.3%	9.5%	9.0%	12.2%	8.9%	8.1%	8.2%	8.0%
Basic EPS from continuing operations (in dollars)	0.31	0.30	0.28	0.38	0.27	0.25	0.25	0.26
Diluted EPS from continuing operations (in dollars)	0.30	0.30	0.28	0.37	0.27	0.25	0.25	0.26
Basic EPS (in dollars)	0.31	0.30	0.28	0.38	0.27	0.25	0.25	0.26
Diluted EPS (in dollars)	0.30	0.30	0.28	0.37	0.27	0.25	0.25	0.26
Liquidity								
Cash provided by continuing operating activities	158,473	102,750	125,016	166,128	192,450	170,894	187,299	79,601
Days sales outstanding	47	36	35	30	39	41	42	52
Capital structure								
Net debt to capitalization ratio	30.6%	0.2%	n/a	n/a	n/a	0.6%	4.0%	9.6%
Return on equity	16.4%	16.1%	15.5%	15.2%	14.2%	14.3%	15.1%	15.4%
Return on invested capital	16.3%	16.9%	16.0%	15.4%	14.0%	13.8%	14.1%	14.1%
Balance sheet								
Cash & cash equivalents and short- term investments	141,020	406,475	419,110	346,445	343,427	271,974	186,427	216,034
Total assets	4,607,191	3,813,138	3,872,980	3,785,231	3,899,910	3,988,216	3,938,735	3,985,914
Long-term financial liabilities	1,071,948	324,236	305,409	290,625	302,741	319,647	345,904	436,860

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.

Areas impacted by estimates	Consolidated balance sheets		Consolidated statements of earnings		
	Revenue		Costs of services, selling and administrative	Amortization/ Impairment	Income taxes
Purchase accounting and goodwill	■			■	
Income taxes	■				■
Contingencies and other liabilities	■		■		
Accrued integration charges	■		■		
Revenue recognition	■ ¹	■			
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.

CGI group Inc. 2010 Annual report

36

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.

Date: December 23, 2010

By: /s/ André Imbeau
Name: André Imbeau
Title: Executive Chairman of the Board
and Corporate Secretary

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.

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[Table of Contents](#)

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 40-F/A

Amendment No. 1

(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

7th 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, VA 22030

(703) 267-8679

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

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

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

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

None

(Title of Class)

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

None

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

☒ Annual Information Form

☒ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 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 ☐ 82- ____ No ☒

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

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

TABLE OF CONTENTS

[SIGNATURES](#)
[EXHIBIT INDEX](#)
[EX-23.1](#)
[EX-23.2](#)
[EX-99.1](#)
[EX-99.2](#)
[EX-99.3](#)
[EX-99.4](#)

[Table of Contents](#)**EXPLANATORY NOTE**

This Form 40-F/A amends our Annual Report on Form 40-F for the year ended September 30, 2010 filed on December 23, 2010 (the "Original Filing"), solely for the purpose of filing the Reports of Independent Registered Chartered Accountants relating to the consolidated balance sheets of CGI Group Inc. and subsidiaries as at September 30, 2010, 2009 and 2008 and the related consolidated statements of earnings, comprehensive income, retained earnings and cash flows for each of the years then ended included in the Audited Annual Financial Statements for the fiscal year ended September 30, 2010 and the corresponding consents of Ernst & Young LLP and Deloitte & Touche LLP. Other than the changes described in the preceding sentence, this amendment does not amend or modify any disclosures in the Original Filing. This Form 40-F/A does not reflect events occurring after the date of the Original Filing or amend, modify or update disclosures affected by subsequent events.

Information to be Filed on This Form

The following materials are filed as a part of this Amendment No. 1 to Annual Report:

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

[Table of Contents](#)

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

[Table of Contents](#)

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)¹

Ernst & Young LLP
Chartered Accountants
Montréal, Canada
November 8, 2010

¹ Chartered accountant auditor permit No. 15859

[Table of Contents](#)

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, prior to the adjustments described in note 2 and note 28 to these financial statements that were applied to restate the 2009 and 2008 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 audited the adjustments that were applied to restate the 2009 and 2008 financial statements for these changes. In our opinion, such adjustments are appropriate and have been properly applied.

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)¹

Ernst & Young LLP
Chartered Accountants
Montréal, Canada
November 8, 2010

¹ Chartered accountant auditor permit No. 15859

[Table of Contents](#)**REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS****To the Board of Directors and Shareholders of CGI Group Inc.**

We have audited, before the effects of the adjustments to retrospectively apply the change in accounting policies discussed in note 2 and note 28 to the consolidated financial statements, the consolidated balance sheet of CGI Group Inc. and subsidiaries (the "Company") as at September 30, 2009 and the related consolidated statements of earnings, comprehensive income, retained earnings and cash flows for each of the two years in the period ended September 30, 2009 (the 2009 and 2008 consolidated financial statements before the effects of the adjustments discussed in note 2 and note 28 to the consolidated financial statements are not presented herein). 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 audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). These standards require that we plan and perform the audit to obtain reasonable assurance about 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 audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements, before the effects of the adjustments to retrospectively apply the change in accounting policies discussed in note 2 and note 28 to the consolidated financial statements, present fairly, in all material respects, the financial position of CGI Group Inc. and subsidiaries as at September 30, 2009 and the results of their operations and their cash flows for each of the years in the two-year period ended September 30, 2009, in accordance with Canadian generally accepted accounting principles.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the change in accounting policy discussed in note 2 and note 28 to the consolidated financial statements and, accordingly, we do not express an opinion or any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those retrospective adjustments were audited by other auditors.

(signed)¹

Deloitte & Touche LLP

Independent Registered Chartered Accountants

Montréal, Canada

November 8, 2009

¹ Chartered accountant auditor permit No. 17046

[Table of Contents](#)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)
	\$	\$	\$
Revenues	3,732,117	3,825,161	3,705,863
Operating expenses			
Costs of services, selling and administrative (Note 17)	3,025,823	3,170,406	3,110,760
Amortization (Note 14)	195,308	195,761	163,172
Acquisition-related and integration costs (Note 18a)	20,883	—	—
Interest on long-term debt	17,123	18,960	27,284
Interest income	(2,419)	(2,908)	(5,570)
Other (income) expenses	(952)	3,569	3,341
Foreign exchange (gain) loss	(916)	(1,747)	1,445
Gain on sale of capital assets	(469)	—	—
	3,254,381	3,384,041	3,300,432
Earnings from continuing operations before income taxes	477,736	441,120	405,431
Income tax expense (Note 16)	114,970	125,223	106,297
Earnings from continuing operations	362,766	315,897	299,134
Earnings (loss) from discontinued operations, net of income taxes (Note 19)	—	1,308	(5,134)
Net earnings	362,766	317,205	294,000
Attributable to:			
Shareholders of CGI Group Inc.			
Earnings from continuing operations	362,386	315,158	298,266
Earnings (loss) from discontinued operations	—	1,308	(5,134)
Net earnings attributable to shareholders of CGI Group Inc.	362,386	316,466	293,132
Non-controlling interest			
Net earnings attributable to non-controlling interest	380	739	868
Net earnings	362,766	317,205	294,000
Basic earnings (loss) per share attributable to shareholders of CGI Group Inc.			
Continuing operations (Note 13)	1.27	1.03	0.94
Discontinued operations	—	—	(0.02)
	1.27	1.03	0.92
Diluted earnings (loss) per share attributable to shareholders of CGI Group Inc.			
Continuing operations (Note 13)	1.24	1.02	0.92
Discontinued operations	—	—	(0.02)
	1.24	1.02	0.90

See Notes to the consolidated financial statements.

CGI group Inc. 2010 Annual report

44

Table of Contents

Consolidated Statements of Comprehensive Income

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

See Notes to the consolidated financial statements.

Consolidated Statements of Retained Earnings

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

See Notes to the consolidated financial statements.

Table of Contents

Consolidated Balance Sheets

As at September 30 (in thousands of Canadian dollars)	2010	2009 (Restated Note 2a)
	\$	\$
Assets		
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
	4,607,191	3,899,910
Liabilities		
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
	2,448,108	1,618,314
Commitments, contingencies and guarantees (Note 25)		
Shareholders' equity		
Retained earnings	1,196,386	1,182,237
Accumulated other comprehensive loss (Note 15)	(321,746)	(285,990)
	874,640	896,247
Capital stock (Note 11)	1,195,069	1,298,270
Contributed surplus (Note 12c)	82,922	80,737
Equity attributable to shareholders of CGI Group Inc.	2,152,631	2,275,254
Equity attributable to non-controlling interest	6,452	6,342
	2,159,083	2,281,596
	4,607,191	3,899,910

See Notes to the consolidated financial statements.

Approved by the
Board(signed)
Director
Michael E. Roach(signed)
Director
Serge Godin

CGI group Inc. 2010 Annual report

46

[Table of Contents](#)

Consolidated Statements of Cash Flows

Years ended September 30 (in thousands of Canadian dollars)	2010	2009 (Restated Note 2a)	2008 (Restated Note 2a)
	\$	\$	\$
Operating activities			
Earnings from continuing operations	362,766	315,897	299,134
Adjustments for:			
Amortization (Note 14)	219,740	218,087	186,120
Future income taxes (Note 16)	(21,417)	29,300	(22,675)
Foreign exchange (gain) loss	(828)	723	1,846
Stock-based compensation (Note 12a)	15,517	8,617	5,131
Gain on sale of capital assets	(469)	—	—
Net change in non-cash working capital items (Note 21a)	(22,942)	57,620	(113,886)
Cash provided by continuing operating activities	552,367	630,244	355,670
Investing activities			
Purchase of short-term investments	(12,940)	—	—
Business acquisitions (net of cash acquired) (Note 18)	(899,564)	(997)	(3,911)
Proceeds from sale of assets and businesses (net of cash disposed)	4,100	4,991	29,238
Purchase of capital assets	(47,684)	(69,212)	(60,983)
Proceeds from disposal of capital assets	896	—	—
Additions to intangible assets	(69,722)	(62,367)	(60,942)
Decrease in other long-term assets	—	—	3,019
Cash used in continuing investing activities	(1,024,914)	(127,585)	(93,579)
Financing activities			
Use of credit facilities	939,394	144,694	90,305
Repayment of credit facilities	(82,684)	(157,505)	(196,533)
Repayment of long-term debt	(125,168)	(117,752)	(10,153)
Proceeds on settlement of forward contracts (Note 10)	—	18,318	—
Repurchase of Class A subordinate shares (including share repurchase costs)	(516,699)	(101,698)	(216,208)
Issuance of shares	53,039	16,141	32,423
Change in subsidiary investment	(571)	(425)	—
Cash provided by (used in) continuing financing activities	267,311	(198,227)	(300,166)
Effect of foreign exchange rate changes on cash and cash equivalents from continuing operations	(10,367)	(11,300)	398
Net (decrease) increase in cash and cash equivalents from continuing operations	(215,603)	293,132	(37,677)
Net cash and cash equivalents provided by (used in) discontinued operations (Note 19)	—	161	(1,068)
Cash and cash equivalents, beginning of year	343,427	50,134	88,879
Cash and cash equivalents, end of year (Note 3)	127,824	343,427	50,134

Supplementary cash flow information (Note 21)

See Notes to the consolidated financial statements.

CGI group Inc. 2010 Annual report

47

Table of Contents

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.

CGI group Inc. 2010 Annual report

48

[Table of Contents](#)

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

Table of Contents

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.

Table of Contents

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.

CGI group Inc. 2010 Annual report

51

[Table of Contents](#)

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).

CGI group Inc. 2010 Annual report

52

Table of Contents

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

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

Note 4

Accounts receivable

	2010	2009
	\$	\$
Trade	349,349	317,647
Other ¹	74,577	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.

Table of Contents

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

	2010		
	Cost	Accumulated amortization	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

Table of Contents

		2009
	Cost	Accumulated amortization
	\$	\$
Intangible assets		Net book value
Contract costs		
Incentives	247,146	185,296
Transition costs	169,087	77,138
	416,233	262,434
Other intangible assets		
Internal-use software	88,128	59,033
Business solutions	284,341	160,423
Software licenses	144,861	108,127
Client relationships and other	341,188	228,959
	858,518	556,542
	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
	\$	\$
Deferred financing fees	2,360	3,643
Deferred compensation plan assets	16,318	13,108
Long-term maintenance agreements	5,542	13,735
Forward contracts (Note 26)	13,317	22,372
Other	4,724	7,700
Other long-term assets	42,261	60,558

Table of ContentsNote 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.

Table of ContentsNote 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 ¹	109,899	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 ²	964,223	126,043
Obligations bearing a weighted average interest rate of 4.00% and repayable in blended monthly instalments maturing at various dates until 2018	22,049	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	57,705	37,147
	1,153,876	283,130
Current portion	114,577	17,702
	1,039,299	265,428

- 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.
- 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

CGI group Inc. 2010 Annual report

57

Table of Contents

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		Total	
	Number	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 ¹	(20,488,168)	(90,748)	—	—	(20,488,168)	(90,748)
Repurchased and not cancelled ¹	—	(847)	—	—	—	(847)
Issued upon exercise of options ²	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 ¹	(9,708,292)	(44,272)	—	—	(9,708,292)	(44,272)
Issued upon exercise of options ²	2,221,032	22,870	—	—	2,221,032	22,870
Conversion of shares ³	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 ¹	(35,602,085)	(168,759)	—	—	(35,602,085)	(168,759)
Issued upon exercise of options ²	6,008,766	65,558	—	—	6,008,766	65,558
Balance, September 30, 2010	237,684,791	1,148,182	33,608,159	46,887	271,292,950	1,195,069

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.

[Table of Contents](#)

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:

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

	Range of exercise price	Number of options	Options outstanding		Options exercisable	
			Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
	\$			\$		\$
	2.06 to 5.20	10,729	0.51	2.57	10,729	2.57
	6.05 to 6.98	2,255,941	4.48	6.48	2,255,941	6.48
	7.00 to 7.87	3,408,828	4.57	7.74	3,408,828	7.74
	8.00 to 8.99	4,417,145	3.43	8.62	4,417,145	8.62
	9.05 to 9.90	4,832,132	7.50	9.34	1,692,713	9.40
	10.05 to 11.80	3,566,872	6.99	11.37	2,284,340	11.35
	12.54 to 13.26	7,964,939	9.01	12.55	10,799	13.26
	14.48 to 15.58	98,897	9.54	14.98	35,897	9.55
		26,555,483	6.58	10.03	14,116,392	8.60

Table of Contents

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:

	2010	2009	2008
Stock-based compensation costs (\$)	15,517	8,617	5,131
Dividend yield (%)	0.00	0.00	0.00
Expected volatility (%)	27.32	24.42	23.70
Risk-free interest rate (%)	2.48	3.05	4.09
Expected life (years)	5.00	5.00	5.00
Weighted average grant date fair value (\$)	3.63	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
Balance, September 30, 2010	82,922

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		
	Earnings from continuing operations	Weighted average number of shares outstanding ¹	Earnings per share from continuing operations	Earnings from continuing operations	Weighted average number of shares outstanding ¹	Earnings per share from continuing operations	Earnings from continuing operations	Weighted average number of shares outstanding ¹	Earnings per share from continuing operations
	\$		\$	\$		\$	\$		\$
	362,386	284,826,257	1.27	315,158	306,853,077	1.03	298,266	317,604,899	0.94
Dilutive options ²		8,093,693			3,492,164			5,199,388	
	362,386	292,919,950	1.24	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.

Table of Contents

Note 14

Amortization

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

	Balance, as at October 1, 2009	Net changes during the year	Balance, as at September 30, 2010
	\$	\$	\$
Net unrealized losses on translating financial statements of self-sustaining foreign operations (net of accumulated income tax recovery of \$12,686)	(359,423)	(53,598)	(413,021)
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)	61,000	15,806	76,806
Net unrealized gains on cash flow hedges (net of accumulated income tax expense of \$5,336)	12,433	2,036	14,469
	(285,990)	(35,756)	(321,746)

	Balance, as at October 1, 2008	Net changes during the year	Balance, as at September 30, 2009
	\$	\$	\$
Net unrealized losses on translating financial statements of self-sustaining foreign operations (net of accumulated income tax recovery of \$10,464)	(365,672)	6,249	(359,423)
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 October 1, 2007	Net changes during the year	Balance, as at 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).

CGI group Inc. 2010 Annual report

61

Table of Contents

Note 16

Income taxes

Future income taxes are classified as follows:

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

The income tax expense is as follows:

	2010	2009	2008
	\$	\$	\$
Current	136,387	95,923	128,972
Future	(21,417)	29,300	(22,675)
	114,970	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:

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

CGI group Inc. 2010 Annual report

62

[Table of Contents](#)

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
	82,610	71,033
Valuation allowance	(4,346)	(6,818)
	78,264	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
	247,269	260,879
Future income taxes, net	(169,005)	(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	3,116,425	3,268,995	3,193,270
Tax credits	(90,602)	(98,589)	(82,510)
	3,025,823	3,170,406	3,110,760

Table of Contents

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.

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

- 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.

[Table of Contents](#)

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.

Table of Contents

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:

	2010	2009	2008
	\$	\$	\$
Revenue	—	2,511	64,851
Operating expenses ¹	—	1,046	68,747
Amortization	—	14	1,624
Earnings (loss) before income taxes	—	1,451	(5,520)
Income tax expense (recovery) ²	—	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:

	2010	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:

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

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

Table of Contents

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

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

	2010	2009	2008
	\$	\$	\$
Operating activities			
Accounts receivable	(693)	(1,476)	408
Work in progress	2,707	—	—
Accounts payable and accrued liabilities	—	(1,817)	(2,723)
Deferred revenue	3,750	4,779	—
	5,764	1,486	(2,315)
Investing activities			
Purchase of capital assets	(42,982)	(27,040)	(17,559)
Purchase of intangible assets	(23,708)	(4,779)	(13,185)
	(66,690)	(31,819)	(30,744)
Financing activities			
Increase in obligations under capital leases	38,200	27,040	17,559
Increase in obligations	22,033	—	13,185
Issuance of shares	693	1,476	(408)
Repurchase of Class A subordinate shares	—	1,817	2,723
	60,926	30,333	33,059

[Table of Contents](#)

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

	2010	2009	2008
	\$	\$	\$
Interest paid	13,254	16,558	26,847
Income taxes paid	104,724	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.

	2010				
	Canada	U.S. & India	Europe & Asia Pacific	Corporate	Total
	\$	\$	\$	\$	\$
Segment revenue	2,170,082	1,483,593	242,152	—	3,895,827
Intersegment revenue elimination	(57,670)	(83,194)	(22,846)	—	(163,710)
Revenue	2,112,412	1,400,399	219,306	—	3,732,117
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 ¹	375,998	192,305	89	(56,490)	511,902
Total assets	2,083,675	2,166,397	180,780	176,339	4,607,191

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				
	Canada	U.S. & India	Europe & Asia Pacific	Corporate	Total
	\$	\$	\$	\$	\$
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 and integration costs, interest on long-term debt, interest income, other (income) expense, gain on sale of capital assets and income tax expense ¹	320,702	171,965	18,639	(50,565)	460,741
Total assets	2,341,074	985,289	197,619	375,928	3,899,910

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.

	2008				
	Canada	U.S. & India	Europe & Asia 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 ¹	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.

[Table of Contents](#)

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:

	2010	2009
	\$	\$
Capital assets		
Canada	161,993	155,072
U.S.	59,306	40,528
Other	16,725	16,818
	238,024	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:

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

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

Table of Contents

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.

Table of Contents

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.

Table of Contents

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:

		2010	2009
	Recorded as	\$	\$
Hedge on net investments in self-sustaining foreign subsidiaries			
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	947,416	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	16,807	18,823
Cash flow hedges on future revenue			
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	8,918	8,303
	Other long-term assets	11,433	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	2,378	1,495
	Other long-term assets	1,121	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	1,570	2,005
	Other long-term liabilities	3,396	7,570
Cash flow hedges on Senior U.S. unsecured notes			
US\$107,000 foreign currency forward contracts (US\$107,000 as at September 30, 2009)	Other current asset	1,277	—
	Other long-term assets	763	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.

Table of Contents

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.

[Table of Contents](#)

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:

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

Table of Contents

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.

[Table of Contents](#)

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 (Restated Note 2a)	2008 (Restated Note 2a)
	\$	\$	\$
Reconciliation of net earnings:			
Net earnings — Canadian GAAP	362,766	317,205	294,000
Adjustments for:			
Stock-based compensation (i)	(213)	(3,759)	(4,127)
Warrants (ii)	863	1,404	(5,721)
Reversal of income tax provision (iii)	—	(517)	(7,452)
Other (iv)	(140)	594	216
Net earnings — U.S. GAAP	363,276	314,927	276,916
Attributable to:			
Shareholders of CGI Group Inc.	362,896	314,188	276,048
Non-controlling interest	380	739	868
Basic earnings per share attributable to shareholders of CGI Group Inc. — U.S. GAAP	1.27	1.02	0.87
Diluted earnings per share attributable to shareholders of CGI Group Inc. — U.S. GAAP	1.24	1.01	0.86
Net earnings — U.S. GAAP	363,276	314,927	276,916
Other comprehensive (loss) income	(35,756)	35,434	64,649
Comprehensive income — U.S. GAAP	327,520	350,361	341,565
Attributable to:			
Shareholders of CGI Group Inc.	327,140	349,622	340,697
Non-controlling interest	380	739	868
Reconciliation of shareholders' equity:			
Equity attributable to shareholders of CGI Group Inc. — Canadian GAAP	2,152,631	2,275,254	1,997,001
Adjustments for:			
Stock-based compensation (ix)	58,411	58,411	58,411
Warrants (ii)	(7,125)	(7,988)	(9,392)
Reversal of income tax provision (iii)	(7,969)	(7,969)	(7,452)
Unearned compensation (v)	(3,694)	(3,694)	(3,694)
Integration costs (vi)	(6,606)	(6,606)	(6,606)
Goodwill (vii)	28,078	28,078	28,078
Income taxes and adjustment for change in accounting policy (viii)	9,715	9,715	9,715
Other (iv)	(3,405)	(3,265)	(3,859)
Equity attributable to shareholders of CGI Group Inc. — U.S. GAAP	2,220,036	2,341,936	2,062,202
Equity attributable to non-controlling interest — Canadian and U.S. GAAP	6,452	6,342	5,922

Table of Contents

(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.

[Table of Contents](#)**(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.

Table of Contents

The following documents are filed as exhibits to this Amendment No. 1 to Annual Report:

- 23.1 Consent of Ernst & Young LLP
 - 23.2 Consent of Deloitte & Touche 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.
-

[Table of Contents](#)**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/A and has duly caused this Amendment No. 1 to this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Groupe CGI Inc./CGI Group Inc.

Date: February 23, 2011

By: /s/ Benoit Dubé
Name: Benoit Dubé
Title: Executive Vice-President and Chief
Legal Officer

[Table of Contents](#)**EXHIBIT INDEX**

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99.4	Certification of the Registrant's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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[Table of Contents](#)

**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, 2011

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

7th 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 ClassName Of Each Exchange On Which Registered

Class A Subordinate Voting Shares

New York Stock Exchange

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

None

(Title of Class)

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

None

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

☒ Annual Information Form ☒ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 227,055,040 Class A Subordinate Shares, 33,608,159 Class B Shares

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

Table of Contents

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, 2011. 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, 2011 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 National Instrument 52-110, 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.

Table of Contents

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 Billed by the External Auditors

During the years ended September 30, 2011 and September 30, 2010, CGI's external auditors billed the following fees for their services:

Service retained	Fees billed	
	2011	2010
Audit fees	\$3,269,836	\$2,594,000
Audit related fees ^(a)	\$1,471,952	\$482,061
Tax fees ^(b)	\$245,006	\$108,380
All other fees ^(c)	\$6,736	\$4,989
Total fees billed	\$4,993,530	\$3,189,430

(a) The audit related fees billed by the external auditors for the year ended September 30, 2011 were in relation to service organization control procedures audits and assistance, International Financial Reporting Standards transition assistance, assistance in mergers and acquisitions matters, information technology assistance and advisory services, and 401(k) and special audits. Those billed 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.

(b) The tax fees billed by the external auditors for the year ended September 30, 2011 were in relation to tax compliance and advisory services, and those billed for the year ended September 30, 2010 were in relation to tax research and advisory services.

(c) The other fees billed by the external auditors for the years ended September 30, 2011 and 2010 were in relation to government contract compliance services.

[Table of Contents](#)

Code of Ethics

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

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely, and understandable disclosure in reports and documents that the Registrant files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Registrant;
- Compliance with applicable governmental laws, rules and regulations;
- The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and
- Accountability for adherence to the code.

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

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

Corporate Governance Practices

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

Off-balance sheet arrangements

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

As disclosed in Note 26 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.

[Table of Contents](#)
Tabular Presentation of Contractual Obligations

As of September 30, 2011, the Registrant's known contractual obligations were as follows:

Contractual Obligations (in '000 of Canadian dollars)	Payment due by period				
	Total	Less than 1 year	2 nd and 3 rd years	4 th and 5 th years	After 5 years
Long-Term Debt Obligations	938,499	379,595	48,096	16,040	494,768
Capital (Finance) Lease Obligations	67,182	22,939	31,696	12,013	534
Operating Lease Obligations ⁽¹⁾	815,771	129,387	211,880	167,040	307,464
Purchase Obligations	98,391	48,547	44,644	5,200	-
Total	1,919,843	580,468	336,316	200,293	802,766

(1) Included in these obligations are \$25.3 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, 2011
2. Audited Annual Financial Statements for the fiscal year ended September 30, 2011
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
- 23.2 Consent of Deloitte & Touche 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.

[Table of Contents](#)



ANNUAL INFORMATION FORM

For the fiscal year ended
September 30, 2011

December 13, 2011

Table of Contents

i

TABLE OF CONTENTS

<u>INCORPORATION AND DESCRIPTION OF CAPITAL STOCK</u>	1
<u>Corporate Structure</u>	1
<u>Capital Structure</u>	2
<u>Stock Splits</u>	2
<u>Market for Securities, Trading Price and Volume</u>	2
<u>Normal Course Issuer Bid and Share Repurchases</u>	3
<u>CORPORATE GOVERNANCE</u>	3
<u>Board and Standing Committee Charters and Codes of Ethics</u>	3
<u>Audit Committee Information</u>	3
<u>Directors and Officers</u>	3
<u>Directors</u>	3
<u>Officers</u>	4
<u>Ownership of Securities on the Part of Directors and Officers</u>	5
<u>DESCRIPTION OF CGI'S BUSINESS</u>	5
<u>Mission and Vision</u>	5
<u>Business Structure</u>	5
<u>Services Offered by CGI</u>	6
<u>Management of IT and business functions (outsourcing)</u>	6
<u>Consulting and Systems Integration</u>	6
<u>Markets for CGI's services</u>	6
<u>Client Base</u>	7
<u>Human Resources</u>	7
<u>CGI Offices and Global Delivery Model</u>	7
<u>Commercial Alliances</u>	8
<u>Quality Processes</u>	8
<u>The Information Technology Services Industry</u>	8
<u>Size, Structure and Recent Developments</u>	8
<u>Industry Trends and Outlook</u>	9
<u>CGI's Growth and Positioning Strategy</u>	9
<u>Significant developments of the most recent three fiscal years</u>	10
<u>Key Performance Measures</u>	10
<u>Fiscal Year ended September 30, 2011</u>	11
<u>Fiscal Year ended September 30, 2010</u>	16
<u>Fiscal Year ended September 30, 2009</u>	20
<u>FORWARD LOOKING INFORMATION AND RISK FACTORS</u>	23
<u>Forward-Looking Information</u>	23
<u>Risk Factors</u>	24
<u>Risks Related to the Market</u>	24
<u>Economic risk</u>	24
<u>Risks Related to our Industry</u>	24
<u>The competition for contracts</u>	24
<u>The availability and retention of qualified IT professionals</u>	25
<u>The ability to develop and expand service offerings</u>	25
<u>Infringing on the intellectual property rights of others</u>	25
<u>Benchmarking provisions within certain contracts</u>	25
<u>Protecting our intellectual property rights</u>	25
<u>Risks Related to our Business</u>	26
<u>Risks associated with our growth strategy</u>	26
<u>The variability of financial results</u>	26
<u>Business mix variations</u>	26
<u>Risks inherent in worldwide operations</u>	26
<u>Taxes</u>	27
<u>Credit risk with respect to accounts receivable</u>	27
<u>Material developments regarding major commercial clients</u>	27
<u>Early termination risk</u>	27
<u>Cost estimation risks</u>	28
<u>Risks related to teaming agreements and subcontracts</u>	28
<u>Our partners' ability to deliver on their commitments</u>	28
<u>Guarantees risk</u>	28
<u>Risk related to human resources utilization rates</u>	28
<u>Client concentration risk</u>	29

[Government business risk](#)

29

Table of Contents

	ii
<u>Regulatory risk</u>	29
<u>Legal claims made against our work</u>	29
<u>Information and infrastructure risks</u>	29
<u>Risk of harm to our reputation</u>	30
<u>Risks associated with the integration of new operations</u>	30
<u>Liquidity and funding risks</u>	30
<u>LEGAL PROCEEDINGS</u>	30
<u>INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS</u>	31
<u>TRANSFER AGENT AND REGISTRAR</u>	31
<u>AUDITORS</u>	31
<u>ADDITIONAL INFORMATION</u>	31
<u>APPENDIX A</u>	32
<u>Fundamental Texts</u>	32

[Table of Contents](#)

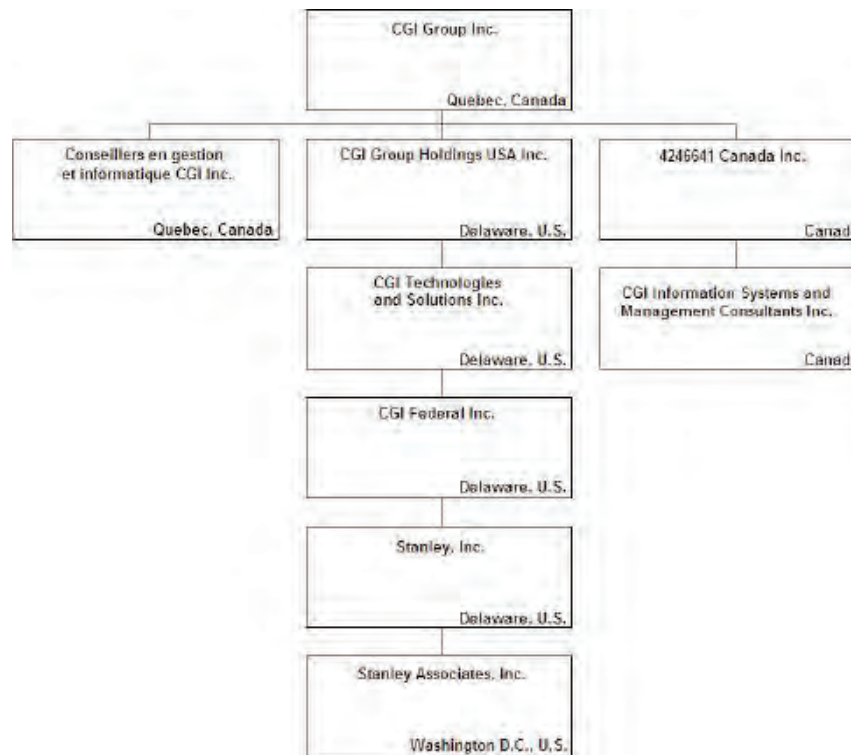
This *Annual Information Form* is dated December 13, 2011 and, unless specifically stated otherwise, all information disclosed in this form is provided as at September 30, 2011, the end of CGI's most recently completed fiscal year. All dollar amounts are in Canadian dollars, unless otherwise stated.

INCORPORATION AND DESCRIPTION OF CAPITAL STOCK

Corporate Structure

CGI Group Inc. (the "Company", "CGI", "we", "us" or "our") was incorporated on September 29, 1981 under Part IA of the *Companies Act* (Quebec), predecessor to the *Business Corporations Act* (Quebec), which came into force on February 14, 2011 and which now governs the Company. The Company continued the activities of *Conseillers en gestion et informatique CGI inc.*, which was originally founded in 1976. The executive and registered 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").

The following is a list of the direct and indirect subsidiaries of CGI (i) whose total assets represent more than 10% of CGI's consolidated assets as at September 30, 2011, 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, 2011. 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.

[Table of Contents](#)

2

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, 2011, 226,517,285 Class A subordinate voting shares and 33,608,159 Class B shares, were issued and outstanding. These shares represent respectively 40.26% and 59.74% 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, 2011 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, 2011 which was filed with Canadian securities regulatory authorities and which is available at www.sedar.com and on CGI's web site at www.cgi.com. A copy of the *Management Proxy Circular* will be provided promptly to shareholders upon request.

Stock Splits

As of December 13, 2011, 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 198,900,779 Class A subordinate voting shares were traded on the *Toronto Stock Exchange* during the year ended September 30, 2011 as follows:

Month	High ^(a) (\$)	Low ^(a) (\$)	Volume
October 2010	16.48	15.27	17,525,403
November 2010	17.20	15.35	22,472,221
December 2010	17.57	15.98	16,600,347
January 2011	19.95	16.77	16,473,931
February 2011	20.34	19.15	18,060,850
March 2011	20.60	18.54	15,329,293
April 2011	21.25	19.92	14,247,462
May 2011	22.34	19.75	14,352,353
June 2011	23.86	21.32	15,513,322
July 2011	24.30	20.26	15,172,935
August 2011	20.59	18.32	18,982,708
September 2011	20.22	17.02	14,169,954

(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.

[Table of Contents](#)

3

Normal Course Issuer Bid and Share Repurchases

On January 26, 2011, 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, 2011 – 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 41 and the disclosure under the heading *Report of the Audit and Risk Management Committee* on page 49 and following of CGI's *Management Proxy Circular* dated December 13, 2011 which was filed with Canadian securities regulatory authorities and which is available at www.sedar.com and on CGI's web site at www.cgi.com. A copy of the *Management Proxy Circular* will be provided promptly to shareholders upon request.

Directors and Officers*Directors*

The Company incorporates by reference the disclosure under the heading *Nominees for Election as Directors* relating to the Company's directors contained on pages 8 to 15, and the table on Board of Directors committee membership on page 39 of CGI's *Management Proxy Circular* dated December 13, 2011 which was filed with Canadian securities regulatory authorities and which is available at www.sedar.com and on CGI's web site at www.cgi.com. A copy of the *Management Proxy Circular* will be provided promptly to shareholders upon request.

[Table of Contents](#)

4

Officers

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

Name and place of residence	Principal occupation
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 and Strategic Planning
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	President, Global Infrastructure Services
Claude Marcoux Sainte-Foy, Quebec Canada	Senior Vice-President and General Manager
Doug McCuaig Toronto, Ontario Canada	President, Canada
Donna S. Morea Royal Oak, Maryland USA	Executive Vice-President
Luc Pinard St-Lambert, Quebec Canada	Executive Vice-President, Corporate Performance and Knowledge Management
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
Donna Ryan Watroo, South Carolina USA	President, CGI Federal
Claude Séguin Montreal, Quebec Canada	Senior Vice-President, Corporate Development and Strategic Investments
George Schindler Fairfax, Virginia USA	President, U.S. Operations
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 legal 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 is now Senior Vice-President, Human Resources and Strategic Planning. Eva Maglis was appointed as an officer of the

[Table of Contents](#)

5

Company on July 26, 2010 and became responsible, in her capacity as Senior Vice-President and General Manager, for CGI's global infrastructure services, solutions and consulting on October 1, 2010. She was appointed President, Global Infrastructure Services on May 27, 2011. Prior to his appointment as President, Canada on June 4, 2010, Doug McCuaig was a Senior Vice-President of the Company. He was appointed as an officer of the Company on July 26, 2010. Donna Morea was President, U.S., Europe and Asia prior to being appointed Executive Vice-President on September 28, 2011. Luc Pinard was Executive Vice-President, Chief Technology and Quality Officer prior to being appointed Executive Vice-President, Corporate Performance and Knowledge Management on August 3, 2011. Donna Ryan held the position of Senior Vice-President prior to being appointed President, CGI Federal effective September 28, 2011. George Schindler was appointed President, U.S. Operations on September 28, 2011. Claude Marcoux, George Schindler and Nazzic Turner were previously 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.

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, 2011 which was filed with Canadian securities regulatory authorities and which is available at www.sedar.com and on CGI's web site at www.cgi.com. A copy of the *Management Proxy Circular* will be provided promptly to shareholders upon request.

DESCRIPTION OF CGI'S BUSINESS

Mission and Vision

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

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

Business Structure

The Company's activities are divided into the following segments: (i) Canada, (ii) U.S. and India (collectively "U.S."), (iii) Europe and Asia Pacific (collectively "Europe"), and (iv) Global Infrastructure Services ("GIS").

The following table shows the revenues for each of the segments in 2011:

In '000s of dollars

Segment	2011	2010
Canada revenue	1,336,380	1,345,445
U.S. revenue	1,954,011	1,335,795
Europe revenue	220,762	192,922
GIS revenue	812,084	857,955
Total	4,323,237	3,732,117

[Table of Contents](#)

6

Services Offered by CGI

CGI provides high end IT consulting, systems integration, IT outsourcing and business solutions. The Company's delivery model provides for work to be carried out onsite at client premises, or through one of its centers of excellence located 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.
- *MVest®, PrimeSuite™* are robust wealth management solutions widely adopted in the 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 proven practices to improve the efficiency of the clients' operations. We also integrate clients' operations into our technology network. Finally, our clients may transfer their specialized professionals to us, 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 of up 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 — helping organizations improve the performance of mission-critical functions through the innovative use of IT; 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) manufacturing retail and distribution — establishing flexible and customer-centered operating models that help clients lower costs and increase profitability and helping clients leverage IT to better manage the entire product lifecycle; and e) health — helping organizations improve the performance of mission-critical functions through the innovative use of IT.

On October 31, 2011, CGI announced that it will now report a separate "Health" vertical. The new vertical is the result of CGI's strong historical performance and the sector's overall importance to CGI's growth strategy. Previously, this sector was embedded within both the government and financial services verticals. In addition, the Company consolidated the manufacturing and retail & distribution vertical markets into one — manufacturing, retail & distribution.

[Table of Contents](#)

7

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, 2011, 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.

CGI Offices and Global Delivery Model

CGI and its affiliated companies operate from more than 125 offices. Some 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 below:

Canada			
Burnaby, BC	Halifax, NS [‡]	Montréal, QC [‡]	Sherbrooke, QC [‡]
Calgary, AB	Laval, QC	Ottawa, ON	Toronto, ON
Charlottetown, PEI	Markham, ON	Québec City, QC [‡]	Victoria, BC
Edmonton, AB	Mississauga, ON	Regina, SK	
Fredericton, NB [‡]	Moncton, NB [‡]	Saguenay, QC [‡]	
United States			
Albany, NY	Cleveland, OH	Lebanon, VA	Richmond, VA
Annapolis Junction, MD	Columbia, SC	Lexington, KY	Sacramento, CA
Arlington, VA	Columbus, OH	Los Angeles, CA	San Antonio, TX
Atlanta, GA	Dallas / Fort Worth, TX	Manassas, VA	San Diego, CA
Austin, TX	Denver, CO	Miami, FL	Sarasota, FL
Baltimore, MD	Fairfax, VA	New Orleans, LA	Sierra Vista, AZ
Bellevue, WA	Fairview Heights, IL	New York, NY	St. Louis, MO
Belton, TX	Honolulu, HI	Norfolk, VA	Tampa, FL
Birmingham, AL	Hot Springs, AR	Norman, OK	Troy, AL [‡]
Boston, MA	Houston, TX	Oakland, CA	Tucson, AZ
Buffalo, NY	Huntsville, AL	Oklahoma City, OK	Washington, DC
Charleston, SC	Jacksonville, FL	Phoenix, AZ	
Chicago, IL	Juneau, AK	Pittsburgh, PA	
Clarksville, TN	Lawton, OK	Raleigh, NC	
Europe and Asia Pacific			
Bangalore, India [‡]	Frankfurt, Germany	Luxembourg, Luxembourg	Munich, Germany
Basingstoke, U.K.	Hannover, Germany	Madrid, Spain	Paris, France
Brentwood, U.K.	Hyderabad, India [‡]	Malaga, Spain [‡]	Stevenage, U.K.
Brussels, Belgium	Krakow, Poland	Melbourne, Australia	Sydney, Australia
Canberra, Australia	Lisbon, Portugal	Milton Keynes, U.K.	Utrecht, Netherlands
Düsseldorf, Germany	London, U.K.	Mumbai, India [‡]	Warsaw, Poland

[‡] Indicates cities where CGI operates global delivery centres.

All of 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.

[Table of Contents](#)

8

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. CGI applications development centres in Mumbai, Hyderabad and Bangalore in India, have achieved SEI CMMI Level 5 quality certification and ISO 27001 security management system certification.

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

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

The IT Services Industry

Size, Structure and Recent Developments

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

According to IDC's research conducted in 2011, the potential business opportunity for IT outsourcing was estimated to be US\$617 billion in the U.S., US\$606 billion in Europe and US\$53 billion in Canada. These numbers exclude the value of services already outsourced and indicate a large untapped potential market.

[Table of Contents](#)

9

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 client's 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.

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 combine 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.

[Table of Contents](#)

10

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 Occurring After the End of the Most Recent Fiscal Year

Refinancing of Credit Facility

On December 7, 2011, CGI announced that it had successfully refinanced its \$1.5 billion credit facility for an additional five years, through December 2016. The facility, which can be extended annually, includes an accordion feature providing for an additional \$750 million, bringing the facility's potential capacity to \$2.25 billion.

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 <i>EBIT</i> – is a measure of 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. <i>Diluted earnings per share from continuing operations attributable to shareholders of CGI</i> – is a measure of earnings generated for shareholders on a per share basis, assuming all in-the-money options outstanding are exercised.
Liquidity	<i>Cash provided by continuing operating activities</i> – is a measure of cash generated from managing our day-to-day business operations. We believe strong operating cash flow is indicative of financial flexibility, allowing us to execute our corporate strategy. <i>Days sales outstanding</i> – is the average number of days to convert our trade receivables and work in progress into cash. Management tracks this metric closely to ensure timely collection, healthy liquidity, and is committed to maintaining a DSO below its 45-day target.
Growth	<i>Constant currency growth</i> – is a measure of revenue growth before foreign currency impacts. This growth is calculated by translating current period results in local currency using the conversion rates in the equivalent period from the prior year. We believe that it is helpful to adjust revenue to exclude the impact of currency fluctuations to better understand trends in the business. <i>Backlog</i> – 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. <i>Book-to-Bill ratio</i> – is a measure of the proportion of contract wins to our revenue in the period. This metric allows management to monitor the company's business development efforts to ensure we grow our backlog and our business over time.

[Table of Contents](#)

11

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 investments and marketable long-term investments. Management uses this metric to monitor the proportion of debt versus capital used to finance our operations and it provides insight into our financial strength.

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

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

Fiscal Year ended September 30, 2011

Significant Developments

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

- Bookings of \$4.9 billion;
- Book-to-bill ratio of 113%;
- Constant currency revenue growth of 18.9% over last year;
- Adjusted EBIT margin remains high at 13.0%;
- Basic and diluted EPS grew by 29.1% and 27.4% respectively compared to the prior year;
- Return on equity reached 19.5%;
- Cash provided by continuing operating activities remained strong, representing 13.2% of revenue; and
- Repurchased 16.4 million Class A subordinate shares of the Company.

Conseillers en informatique d'affaires CIA Inc.

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

Private Debt Placement

During the fourth quarter, the Company entered into a US\$475.0 million private debt placement financing with large U.S. institutional investors. The private placement is comprised of three tranches of senior U.S. unsecured notes, with a weighted average maturity of 8.2 years and a weighted average fixed coupon of 4.57%. The Company will draw down the proceeds no later than December 15, 2011, and plans to

[Table of Contents](#)

12

execute interest rate swaps subject to favourable market conditions in order to reduce its financing costs and maximize flexibility. The Company intends to use the proceeds of the private placement to pay down part of the Company's existing revolving term facility, see *Significant Developments Occuring After the End of the Most Recent Fiscal Year* earlier in this document.

Performance Improvement Plan

During the fourth quarter, the Company accelerated the on-going optimization of its cost structure in light of the current economic environment and outlook. Technological advancements have enabled our workforce to become increasingly mobile. This increased mobility of our workforce along with the growth in our global delivery centres evolved our real estate needs. As a result, and in order to remain competitive, a total pre-tax charge of \$45.4 million was taken mainly comprised of provisions on excess real estate, related leasehold improvements and severance costs in the amount of \$33.7 million. Also, through a review of the Company's business solutions portfolio and following the deferral of investments by some of our clients, management decided to lower the outlook for certain of the Company's business solution investments and therefore, resulted in the impairment of two business solutions. An impairment charge of \$11.7 million was taken on these solutions primarily for the financial services market. Of the \$45.4 million charge, \$29.6 million is included in "Cost of services, Selling and Administrative", which is discussed on page 8 of *Management's Discussion & Analysis*, while the \$11.7 million impairment charge and \$4.1 million of leasehold improvements write-off is included in "Amortization" on the consolidated statement of earnings in the financial booklet of the 2011 Annual Report entitled *Numbers*. Please see Section 7 – Fourth Quarter Results of *Management's Discussion & Analysis* for more information.

Bookings and Book-to-Bill Ratio

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

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

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

Significant Bookings in the Year

Announcement Date	Client	Duration	Value
October 21, 2010	U.S. General Services Administration CGI has been selected as one of the 11 companies awarded a five-year, government-wide Blanket Purchase Agreement for Infrastructure as a Service by the U.S. General Services Administration. During this contract CGI will offer government agencies virtual machines and Web hosting services in a cloud environment.	Five years	US\$76.0 million

[Table of Contents](#)

13

Announcement Date	Client	Duration	Value
November 5, 2010	SaskEnergy CGI's work includes the replacement of SaskEnergy's legacy customer and billing information system utilizing Oracle's Customer Care and Billing application to manage critical business functions including customer service, billing, collections and meter management.	Seven years	Not released
November 17, 2010	U.S. Defense Information Technology Contracting Organization CGI will support the Kyrgyzstan Border Service's efforts to better coordinate control of their border as well as provide IT support to the U.S. Army Communications-Electronics Command's counter narcotics efforts.	Five years	US\$28.0 million
January 11, 2011	U.S. Department of Housing and Urban Development ("HUD") In conjunction with state and local housing agencies, CGI administers HUD's multi-family housing programs in California, Florida, New York, Ohio, and Washington, DC. CGI's contract is performance-based and, since its award 10 years ago, the company has demonstrated a strong track record of performance on behalf of its partner housing agencies.	Until Sept 30, 2011	US\$40.3 million
January 12, 2011	Industrial Alliance Insurance and Financial Services, Inc. CGI will continue to support the strategic growth of Industrial Alliance, the fourth largest life and health insurance firm in Canada, by becoming its preferred IT vendor delivering a wide range of IT services.	Ten year extension and expansion	\$137.0 million
January 12, 2011	Centers for Medicare & Medicaid Services CGI will continue software development and operational support services for the Provider Enrollment Chain Ownership System including Health Information Technology for Economic and Clinical Health registration and attestation functionality.	Five years	US\$55.0 million
January 18, 2011	Société Générale Corporate & Investment Banking ("SG CIB") CGI will provide application development and support services using its global delivery centres to SG CIB locations in Paris, London, New York, Singapore and Hong Kong.	Three years	Not released
March 2, 2010	Highmark Blue Cross Blue Shield CGI will provide comprehensive claims audit services to identify provider overpayments and coding errors on claims submitted from providers throughout the Commonwealth of Pennsylvania. The work will be performed by consultants, claims investigators, clinicians, and coding specialists using the company's proprietary Customized Audit System software—an enterprise-wide solution designed to support the prediction, identification, management, and analysis of claims.	Five year renewal	Not released

[Table of Contents](#)

				14
Announcement Date	Client	Duration	Value	
April 26, 2011	State of California Franchise Tax Board ("FTB")	Five and a half years	US\$399.0 million	
	CGI's innovative solution will support fundamental changes in FTB's tax processing that will generate an estimated \$2.8 billion in additional revenue for the State by 2016-2017, helping to narrow its substantial tax revenue gap. The Enterprise Data to Revenue project will be a performance-based, benefits-funded contract where CGI is paid from a percentage of the increased revenues generated. The contract includes a five-year option for maintenance and operation valued at an additional \$139 million.			
May 17, 2011	Space and Naval Warfare Systems Center	Not Released	US\$49.0 million	
	CGI will continue to provide production execution, testing, and technical support for U.S. military Command, Control, Communications, Computers, Combat Systems, Intelligence, Surveillance and Reconnaissance (C5ISR) mission modules.			
May 18, 2011	Environmental Protection Agency ("EPA")	Seven years	US\$34.0 million	
	Under the multi-vendor ITS-EPA II Program Blanket Purchase Agreement, CGI will partner with EPA to develop and implement a new cyber security approach focused on strengthening the internal security posture, streamlining processes, re-engineering operations, and enhancing service tracking.			
May 19, 2011	Evraz	Until 2016	Not released	
	CGI will provide IT services support to its North American operations.			
May 31, 2011	Commonwealth of Pennsylvania, Department of Public Welfare	Four year renewal	US\$44.9 million	
	CGI will help prevent, detect, deter and correct provider improper payments within Pennsylvania's Medicaid Medical Assistance program. CGI will use its proprietary data mining software, the Customized Audit System, to conduct reviews of claims and records, identify over and underpayments for recovery, and provide support for appeals activities.			
June 7, 2011	University Health Network	Seven years	\$50.0 million	
	CGI's solution will provide a secure, shared repository for storage, retrieval and viewing of diagnostic images such as X-rays and MRIs, and associated documents across multiple hospital sites in greater Toronto and central Ontario.			
July 22, 2011	State of Alaska's Department of Administration	Seven years	US\$54.0 million	
	CGI will provide services for project management, business process redesign, system configuration and development, data conversion and training. The State will subscribe to CGI's managed services offering, Managed Advantage, for application maintenance, technical upgrades and help desk support.			

[Table of Contents](#)

15

Announcement Date	Client	Duration	Value
July 22, 2011	Encana Corporation CGI will manage over 370 custom applications Encana requires to run its business. CGI is leveraging its near-shore delivery capabilities and predictive cost model to minimize risk and reduce cost.	Five years	Not released
August 10, 2011	Scotiabank CGI will replace multiple legacy trade and supply chain applications at Scotiabank with a single, integrated platform to enhance service to clients, reduce costs, and provide greater visibility and transparency into its North America, Latin America, Caribbean and Asia operations.	Seven years	Not released
September 13, 2011	Environmental Protection Agency CGI will continue to support EPA's Central Data Exchange through a wide range of technology services, including information assurance/cyber security, web application and systems development, program management, user support, and operations and maintenance services.	Six year renewal	US\$207.0 million
September 15, 2011	Wake County, North Carolina CGI will host the system and securely manage day-to-day operations under its Managed Advantage program, which includes application maintenance, technical upgrades, disaster recovery services, and client support. The County will benefit from a single point of accountability for software, services, and hosting as well as a predictable cost over the contract term for product upgrades, infrastructure, and maintenance.	Twelve years	US\$30.5 million
October 3, 2011	Environmental Protection Agency CGI will provide production application platform management to support EPA's primary data center, the National Computing Center, including support for application deployment checklist process, management of numerous applications platforms, and delivery of technical consulting services. This contract was signed prior to but announced subsequent to our year-end.	Five years	US\$64.5 million
October 5, 2011	Wyoming State Auditor's Office CGI will continue to provide secure day-to-day ERP operations management, including application maintenance, technical upgrades, disaster recovery services, and client support. This contract was signed prior to but announced subsequent to our year-end.	Five year renewal	US\$28.7 million

Significant Contract Vehicles

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

[Table of Contents](#)

16

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

* Vehicle \$ Ceiling are for all awarded vendors including CGI Group Inc.

Share Repurchase Program

On January 26, 2011, the Company's Board of Directors authorized and received the approval from the *Toronto Stock Exchange* for the renewal of the NCIB to purchase up to 10% of the public float of the Company's Class A subordinate voting shares over the next 12 months. The NCIB enables CGI to purchase, on the open market, up to 23,006,547 Class A subordinate voting shares for cancellation. The Class A subordinate voting shares may be purchased under the NCIB commencing February 9, 2011 and ending on the earlier of February 8, 2012, or the date on which the Company has either acquired the maximum number of Class A subordinate voting shares allowable under the NCIB, or elects to terminate the NCIB.

During fiscal 2011, the Company repurchased 16,373,400 of its Class A subordinate voting shares for \$305.0 million at an average price of \$18.63, under the current and previous NCIB. As at September 30, 2011, the Company may purchase up to an additional 13.3 million shares under the current NCIB.

Foreign currency impact

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

Fiscal Year ended September 30, 2010

Significant Developments

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

[Table of Contents](#)

17

- Bookings of \$4.6 billion;
- Book-to-bill ratio of 124%;
- Constant currency growth of 3.4%;
- Adjusted EBIT margin remained strong at 13.7%;
- Basic and diluted EPS from continuing operations grew by 23.3% and 21.6% respectively;
- Return on equity reached 16.4%;
- Return on invested capital remains high at 16.3%;
- Cash provided by continuing operating activities remained strong, representing 14.8% of revenue; and
- Repurchased 35.6 million Class A subordinate voting shares of the Company.

Acquisition of Stanley Inc.

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

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 incorporated the operations of Stanley subsequent to August 17, 2010. Since the completion of the transaction, we focused on the integration of Stanley into CGI and for fiscal 2010 and fiscal 2011, total acquisition-related and integration costs incurred were \$24.6 million. Only \$3.7 million of acquisition-related and integration costs were incurred in fiscal 2011 compared to the \$5.4 million that was initially expected at the end of fiscal 2010.

Bookings and Book-to-Bill Ratio

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

[Table of Contents](#)

18

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%.

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

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 delivers IT infrastructure support services to the EPA under the ITS-EPA II program and assists the Office of Environmental Information in achieving more innovative, agile, and scalable IT services for the ITS-EPA II program. The seven-year agreement, awarded to seven vendors includes a US\$955 million ceiling value over the BPA's period of performance and positions.		
November 3, 2009	Yellow Pages Group	10-year extension	\$100 million
	CGI manages the applications and infrastructure of Yellow Pages Group's computer network, as well as other projects, namely business intelligence and the optimization of the company's research tools.		
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 signed new contracts and renewals with North American financial institutions totalling \$1.1 billion during its fiscal 2010 first quarter (October-December). Services provided under these new deals include systems integration, application maintenance, IP-based solutions as well as long term, multi-year managed services contracts.		
January 19, 2010	U.S. Department of State and U.S. Agency for International Development	10 years	US\$395 million
	CGI provides systems integration, consulting services, and operational support for more than 5,000 Joint Financial Management System users in more than 300 posts and missions around the world.		

[Table of Contents](#)

19

Announcement Date	Client	Duration	Value
April 6, 2010	Telekomunikacja Polska Group CGI frameworks are deployed to help TP Group consolidate its current multi application, multi vendor environment to improve overall time to market and total cost of ownership.	Three years	Not released
May 4, 2010	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.	10 years	US\$168 million
May 18, 2010	Centers for Medicare & Medicaid Services CGI continues the modernization, application management, and maintenance efforts on three external websites that provide information to 44 million beneficiaries and millions more healthcare providers and other stakeholders.	Five years	US\$73.2 million
June 17, 2010	State of Maine CGI delivers managed application services for the State's AMS Advantage® enterprise resource planning system which supports financial management and procurement operations. CGI hosts the State's AMS Advantage ERP system and provide disaster recovery services. CGI also manages operations of all technical aspects of the system during the term of the contract.	11 years	Not released
June 29, 2010	Atlantic Lottery Corporation CGI manages Atlantic Lottery's data center and provides related application support and development.	Seven years	\$125 million
July 7, 2010	The Beer Store This agreement establishes CGI as the infrastructure IT supplier for The Beer Store, and also encompasses infrastructure services for Brewers Distributor Ltd. (BDL), a wholesale distributor of beer and the collector of returnable, refillable and recyclable beer containers within the four Western Canadian Provinces, as well as Northwest Territories and the Yukon.	Seven years	Not released
July 20, 2010	Rexel Group This agreement, which supports productivity improvements, established CGI as not only one of the preferred IT suppliers for Rexel's Canadian operations, but also for Rexel's U.S. operations.	Six years	\$50 million
July 29, 2010	Manulife Financial Under the contract renewal, CGI continues to leverage its Halifax delivery center to provide systems development, maintenance and integration services to Manulife Financial.	Until 2013	Not released

[Table of Contents](#)

20

Announcement Date	Client	Duration	Value
August 9, 2010	eHealth Ontario CGI designed, built, implemented and managed 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 supported Plexxus in the design, build, implementation and management of on-going IT services including SAP supply chain and finance systems for Plexxus, a not-for-profit organization and its 12 member hospitals.	Five years	\$34 million
September 30, 2010	U.S. General Services Administration Under the Data.gov Dataset Hosting Services BPA, CGI provides hosting services for this important government information, as well as technology tools for dataset analysis, and professional services.	Five years	US\$46 million
October 5, 2010	Bombardier Aerospace CGI is responsible for delivering various types of IT infrastructure services to Bombardier Aerospace, including end-user device support, service desk, telephony and local area network. CGI is also responsible for Canadian legacy application support. This contract was signed prior to but announced subsequent to our year-end.	Five years	US\$160 million

Share Repurchase Program

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

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

[Table of Contents](#)

21

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. 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 in fiscal 2008;
- 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.

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

Announcement Date	Client	Duration	Value
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.		

[Table of Contents](#)

22

Announcement Date	Client	Duration	Value
October 20, 2008	North Carolina Department of Revenue 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.	Three years	US\$55.3 million
March 10, 2009	Cigna CGI assumed responsibility for maintaining service delivery for applications supporting claims, billing, banking, sales and underwriting, enrolment and eligibility, and reinsurance.	Multi-year	US\$35 million per year
March 17, 2009	Centers for Medicare & Medicaid Services CGI was awarded the Medicare Advantage & Part D Maintenance and Enhancement Services contract for updating and enhancing the system's performance and scalability.	Five and one-half years	US\$135 million
March 25, 2009	Foresters 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.	10 years	\$182 million
April 7, 2009	General Services Administration CGI updates the agency's legacy billing and accounts receivable modules. Full life cycle services and infrastructure hosting are included in this contract.	Five years	US\$43 million
April 8, 2009	U.S Environmental Protection Agency CGI was selected by the U.S. Environmental Protection Agency ("EPA") to provide support for the Central Data Exchange, the point of entry for the transmission of environmental data to the EPA on the national Environmental Information Exchange Network.	Three years	US\$67 million
April 17, 2009	State of Louisiana 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.	Three years	US\$40 million
May 14, 2009	General Services Administration 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.	Five years	US\$52 million

[Table of Contents](#)

23

Announcement Date	Client	Duration	Value
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 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.		

Share Repurchase Program

On January 27, 2009, the Company's Board of Directors authorized the renewal of a NCIB 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 NCIB, 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 NCIB.

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.

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,

[Table of Contents](#)

24

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), 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) 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.

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.

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.

[Table of Contents](#)

25

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

[Table of Contents](#)

26

which we conduct business may offer only limited intellectual property rights protection. Despite our efforts, the steps taken to protect our intellectual property may not be adequate to prevent or deter infringement or other misappropriation of intellectual property, and we may not be able to detect unauthorized use of our intellectual property, or take appropriate steps to enforce our intellectual property rights.

Risks Related to our Business

Risks associated with our growth strategy

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

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

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

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

The variability of financial results

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

Business mix variations

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

The financial and operational risks inherent in worldwide operations

We manage operations in numerous countries around the world. The scope of our operations 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; 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.

[Table of Contents](#)

27

Taxes

In estimating our income tax payable, management uses accounting principles to determine income tax positions that are likely to be sustained by applicable tax authorities. However, there is no assurance that our tax benefits or tax liability will not materially differ from our estimates or expectations. The tax legislation, regulation and interpretation that apply to our operations are continually changing. In addition, future tax benefits and liabilities are dependent on factors that are inherently uncertain and subject to change, including future earnings, future tax rates, and anticipated business mix in the various jurisdictions in which we operate. Moreover, our tax returns are continually subject to review by applicable tax authorities; it is these tax authorities that will make the final determination of the actual amounts of taxes payable or receivable, of any future tax benefits or liabilities and of income tax expense that we may ultimately recognize. Any of the above factors could have a material adverse effect on our net income or cash flows by affecting our operations and profitability, the availability of tax credits, the cost of the services we provide, and the availability of deductions for operating losses as we develop our international service delivery capabilities.

Credit risk with respect to accounts receivable

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

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

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

Early termination risk

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

[Table of Contents](#)

28

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.

[Table of Contents](#)

29

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. Although Canadian GAAP considers a national government and its agencies as a single client, our client base in the government economic sector is in fact very diversified with contracts from many different departments and agencies in the U.S., Canada and Europe; nevertheless, 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

[Table of Contents](#)

30

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 IT services. The nature of our operations exposes us to the potential loss, unauthorized access to, or destruction of our clients' information, as well as temporary service interruptions. Depending on the nature of the information or services, such events may have a negative impact on how the Company is perceived in the marketplace. Under such circumstances, our ability to obtain new clients and retain existing clients could suffer with a resulting impact on our revenue and profit.

Risks associated with the integration of new operations

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

Liquidity and funding risks

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

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.

[Table of Contents](#)

31

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

In the normal course of business, CGI is party to contracts with Innovapost Inc., a joint venture, pursuant to which CGI is its preferred IT supplier. The Company exercises joint control over Innovapost Inc.'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 consolidated financial statements of the Company for the year ended September 30, 2011 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, 2011 and (iv) a copy of the business booklet and of the financial booklet of the *2011 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, 2011.

Additional financial information in relation to the last fiscal year ended September 30, 2011, is presented in the audited consolidated financial statements and in the *Management's Discussion & Analysis* contained in the financial booklet of the *2011 Annual Report* entitled *Numbers*.

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

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[Table of Contents](#)

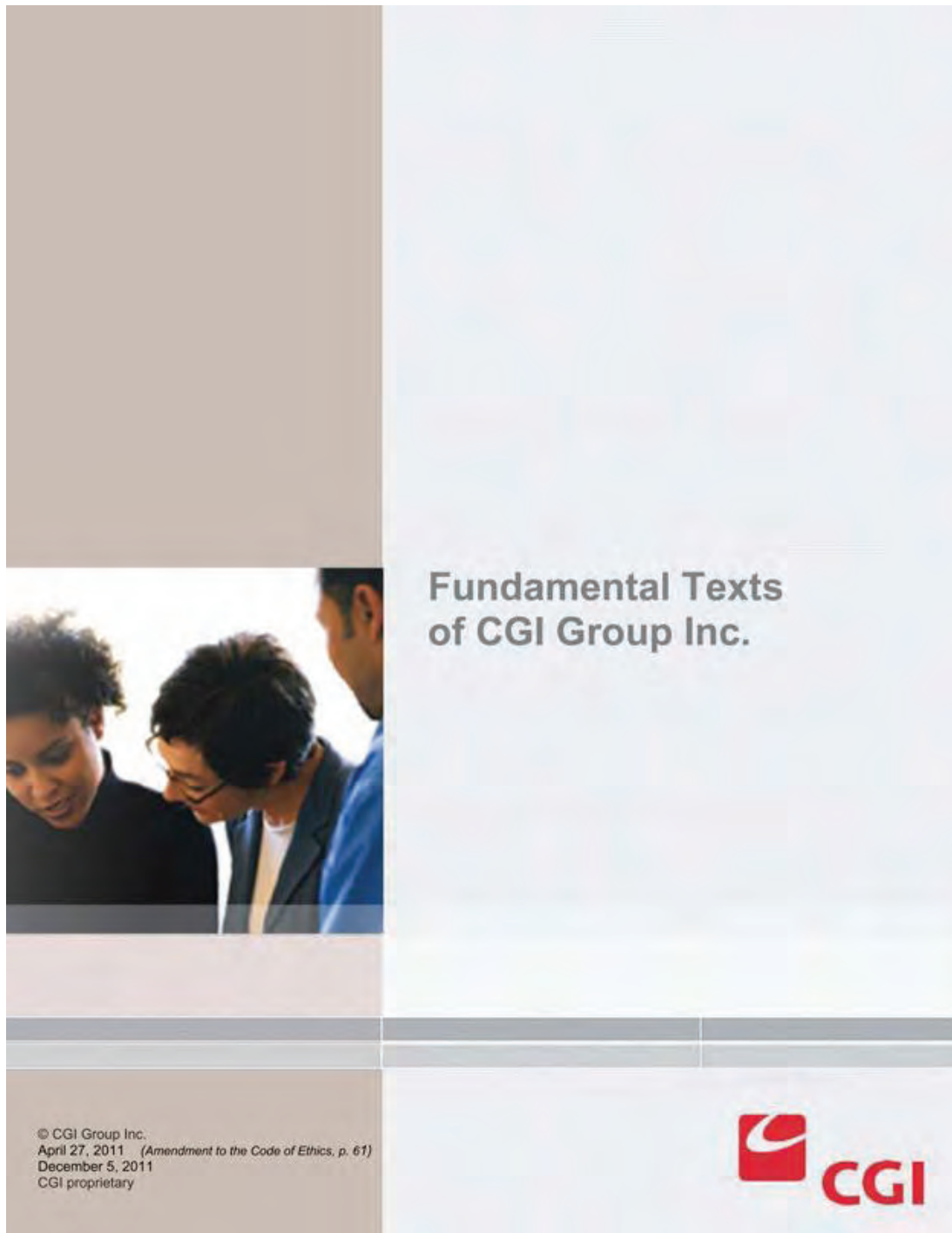
32

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	68
Guidelines on Timely Disclosure of Material Information and Transactions in Securities of CGI Group Inc. by Insiders	71

[Table of Contents](#)



[Table of Contents](#)

Fundamental Texts

Presentation

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:

1. Dream, Mission, Vision and Values	2
2. CGI Management Foundation	12
3. Documents and Policies Pertaining to Corporate Governance	17
3.1 Charter of the Board of Directors	18
3.2 Charter of the Corporate Governance Committee	27
3.3 Charter of the Human Resources Committee	33
3.4 Charter of the Audit and Risk Management Committee	38
4. Codes of Ethics	48
4.1 Code of Ethics and Business Conduct	49
for members, officers and directors of CGI	49
4.2 Executive Code of Conduct	68
4.3 Guidelines on Timely Disclosure of Material Information and	
Transactions in Securities of CGI by Insiders	71
Appendix	95

[Table of Contents](#)



[Table of Contents](#)**Fundamental Texts****Dream, Mission, Vision and Values**

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.

[Table of Contents](#)

Fundamental Texts**Dream, Mission, Vision and Values**

A. THE CGI DREAM

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

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

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

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

From this very basic idea grew an entire business philosophy.

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

B. THE CGI MISSION AND VISION

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

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

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

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

[Table of Contents](#)**Fundamental Texts****Dream, Mission, Vision and Values**

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

[Table of Contents](#)**Fundamental Texts****Dream, Mission, Vision and Values****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.

[Table of Contents](#)
Fundamental Texts
Dream, Mission, Vision and Values
CORPORATE SOCIAL RESPONSIBILITY

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

2. EMBRACING THE OBJECTIVES OF OUR CLIENTS

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

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

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

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

3. ADOPTING A CARING, HUMANE APPROACH TOWARDS OUR MEMBERS

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

[Table of Contents](#)
Fundamental Texts
Dream, Mission, Vision and Values
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

[Table of Contents](#)

Fundamental Texts**Dream, Mission, Vision and Values**

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.

[Table of Contents](#)
Fundamental Texts
Dream, Mission, Vision and Values

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.

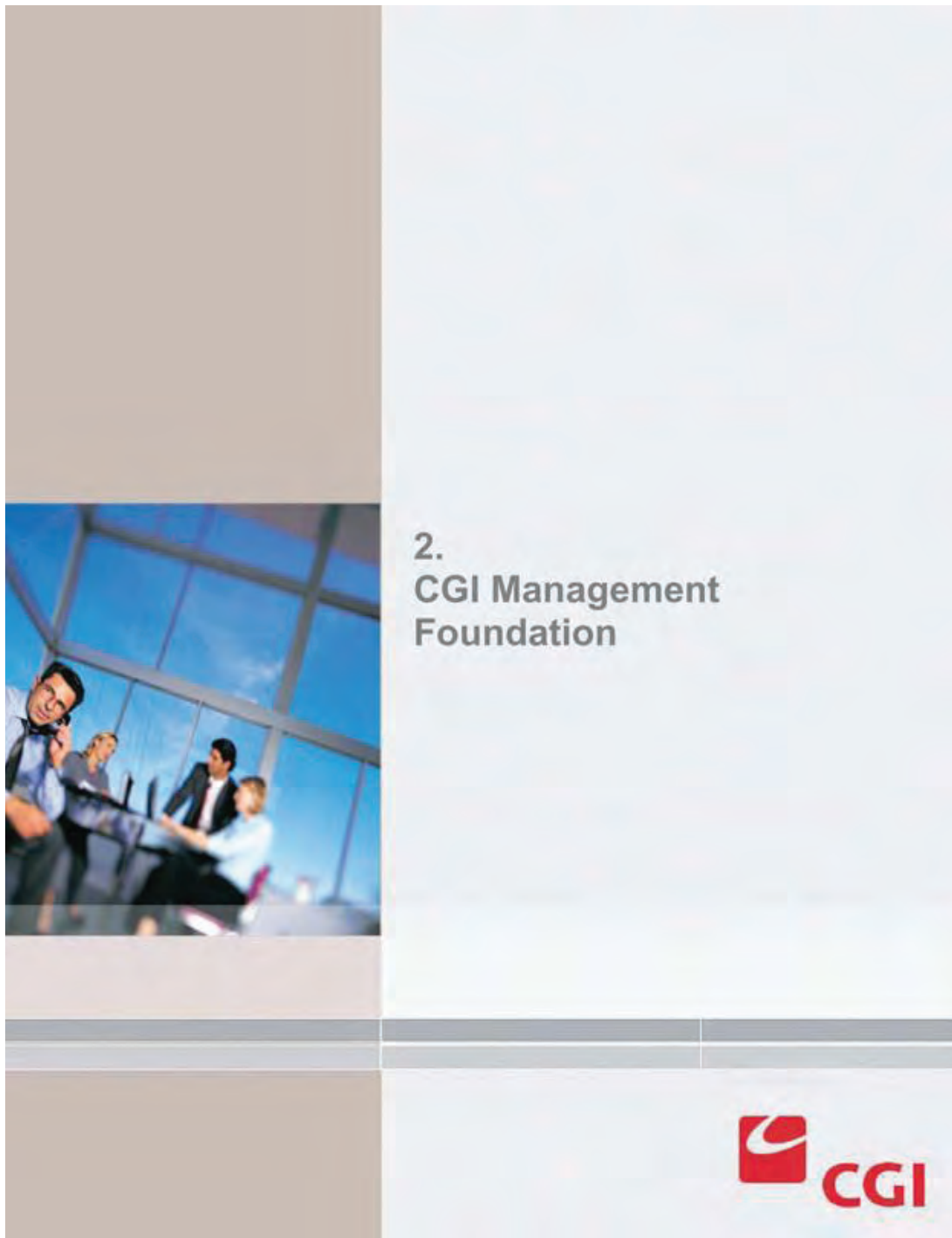
[Table of Contents](#)**Fundamental Texts****Dream, Mission, Vision and Values**

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.

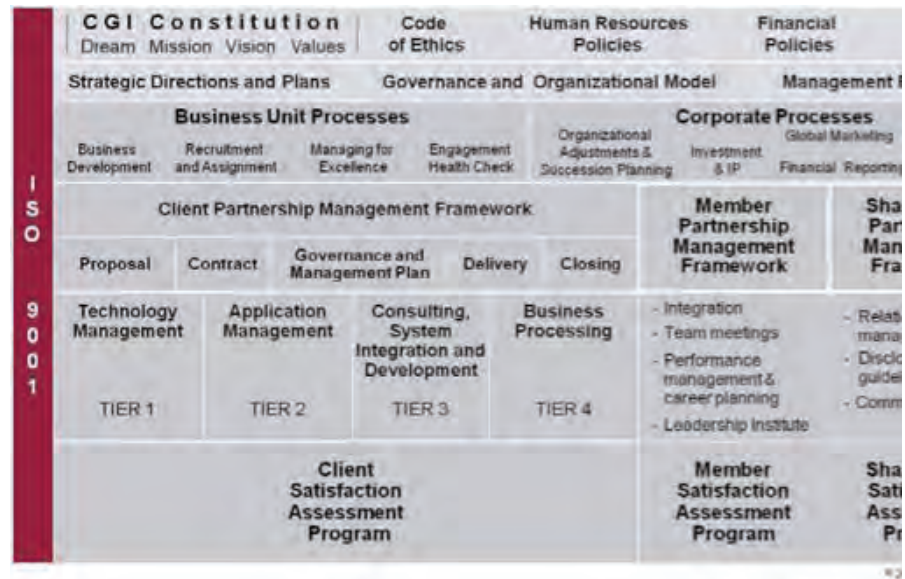
[Table of Contents](#)



[Table of Contents](#)
Fundamental Texts
CGI Management Foundation

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.

[Table of Contents](#)
Fundamental Texts
CGI Management Foundation

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:

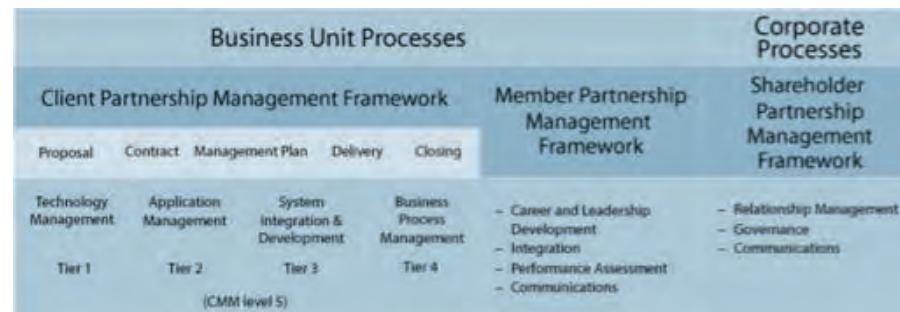
- 1) The Charters of the Board of Director and its committees;
- 2) the Codes of Ethics, to which members, officers and directors of the company must adhere;
- 3) the Operations Management Framework, which outlines the delegation framework with respect to decision making (e.g. who may authorize and sign 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.

[Table of Contents](#)
Fundamental Texts
CGI Management Foundation

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

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

BUSINESS UNIT PROCESSES AND PARTNERSHIP MANAGEMENT FRAMEWORKS


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

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

	15

Table of Contents

Fundamental Texts

CGI Management Foundation

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.

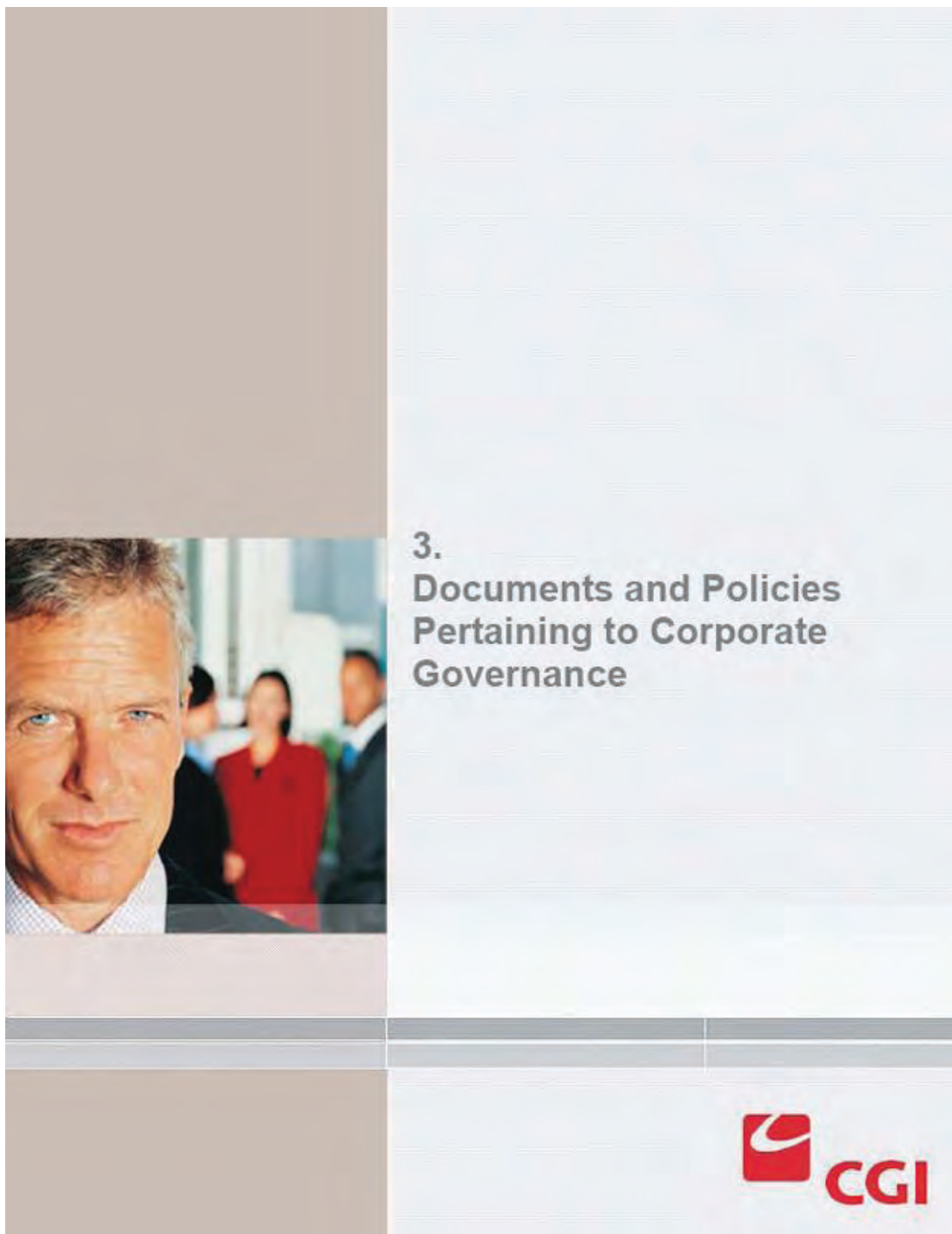
Client Satisfaction
Assessment Program

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.

[Table of Contents](#)



[Table of Contents](#)

Fundamental Texts

Documents and Policies Pertaining to Corporate Governance

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

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance
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

[Table of Contents](#)

Fundamental Texts

Documents and Policies Pertaining to Corporate Governance

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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

- 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.

[Table of Contents](#)**Fundamental Texts****Documents and Policies Pertaining to Corporate Governance**

- 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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

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

[Table of Contents](#)

Fundamental Texts

Documents and Policies Pertaining to Corporate Governance

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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

- 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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

- 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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance
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.

[Table of Contents](#)

Fundamental Texts**Documents and Policies Pertaining to Corporate Governance**

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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

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

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

- 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;

[Table of Contents](#)

Fundamental Texts

Documents and Policies Pertaining to Corporate Governance

- 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

[Table of Contents](#)

Fundamental Texts**Documents and Policies Pertaining to Corporate Governance**

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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

- 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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

- 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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance
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.

[Table of Contents](#)

Fundamental Texts

Documents and Policies Pertaining to Corporate Governance

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.

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

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,

[Table of Contents](#)
Fundamental Texts
Documents and Policies Pertaining to Corporate Governance

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.

[Table of Contents](#)**Fundamental Texts****Documents and Policies Pertaining to Corporate Governance**

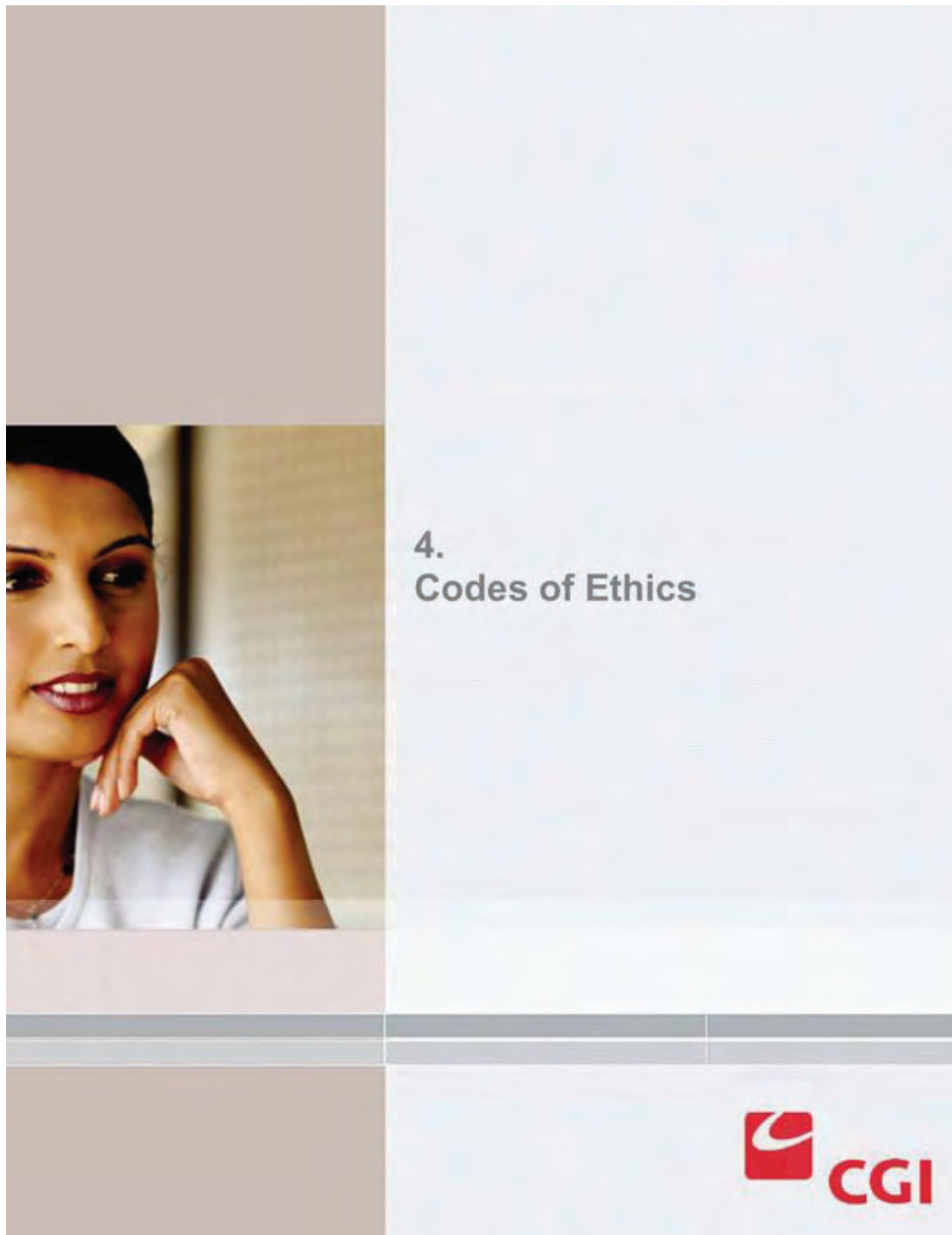
5.10.16 The Committee shall report regularly to the Board of Directors on its proceedings, reviews undertaken and any associated recommendations.

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.

[Table of Contents](#)



[Table of Contents](#)

Fundamental Texts

Codes of Ethics

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

[Table of Contents](#)
Fundamental Texts
Codes of Ethics
IMPORTANT NOTE

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

1. VALUES, PHILOSOPHY, MISSION AND VISION
VALUES

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

PHILOSOPHY

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

MISSION

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

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

VISION

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

[Table of Contents](#)
Fundamental Texts
Codes of Ethics
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.

[Table of Contents](#)

Fundamental Texts**Codes of Ethics**

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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics
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

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

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.

[Table of Contents](#)

Fundamental Texts**Codes of Ethics**

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.

[Table of Contents](#)

Fundamental Texts**Codes of Ethics**

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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics
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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics
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

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

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

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

refrain from passing such information on to others, including family and friends. These trading prohibitions apply to members at all levels - not just officers or managers. The prohibition on such trading is based on such information potentially providing an unfair advantage to the member.

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

LAWS COMBATTING BRIBERY OF PUBLIC OFFICIALS

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

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

EXPORT AND IMPORT LAWS

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

LAWS THAT PROTECT CLASSIFIED INFORMATION

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

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

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

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

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

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.

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

[Table of Contents](#)**Fundamental Texts****Codes of Ethics**

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

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

- 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 distances charges will be at the expense of CGI. For those who wish to submit incident reports online, a link to the incident reporting web site is provided on CGI's Enterprise Portal or members may access the incident reporting system directly at www.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.

[Table of Contents](#)**Fundamental Texts****Codes of Ethics****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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

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

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

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.

[Table of Contents](#)**Fundamental Texts****Codes of Ethics**

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.

[Table of Contents](#)

Fundamental Texts

Codes of Ethics

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 DISCLOSURE¹

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")² 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"³ and "material facts"⁴ 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.

¹ Definitions provided in Sections I and II apply only to those Sections.

² 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.

³ 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.

⁴ 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).

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

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 material⁵, 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;

⁵ 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".

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

- ◆ 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 material⁶. 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.

⁶ 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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics
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

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

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 known⁷. 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;

⁷ 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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

- ◆ 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 relationship⁸ 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 investors⁹.

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;

⁸ 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.

⁹ 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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

- ◆ 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"¹⁰.

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 disclosure¹¹, 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 ;

¹⁰ 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.

¹¹ Unlike Regulation FD which will be discussed below.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

- ◆ 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 website¹² 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.

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

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

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)¹³ 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 Act¹⁴.

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.

¹³ Which became effective on October 23, 2000.

¹⁴ The Securities Act of 1934, as amended.

[Table of Contents](#)

Fundamental Texts**Codes of Ethics**

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.

[Table of Contents](#)

Fundamental Texts
Codes of Ethics

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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics
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.

[Table of Contents](#)

Fundamental Texts

Codes of Ethics

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).

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics
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

[Table of Contents](#)

Fundamental Texts
Codes of Ethics

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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

- 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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

- ◆ 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

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

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);

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

- ◆ 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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics
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

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

(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.

[Table of Contents](#)
Fundamental Texts
Codes of Ethics

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).

In addition, CGI insiders are required to declare any modifications or changes (whatever the percentage) to their holdings in CGI Securities within 5 days of such a change, except in certain limited exceptions. In this regard, an insider report must be completed and filed in SEDI. The insider of CGI who registers or causes to be registered any CGI Securities in the name of a third person shall file an insider report, except in the case of a bona fide transfer in guarantee. In such case and where the insider fails to file the report provided for by the Legislation, the third person shall file the report himself on becoming aware of the failure.

The obligation to complete insider reports shall continue for as long as the person qualifies as an insider.

An insider is required to file an amended insider profile within ten days of a change in the insider's name or relationship to CGI. If there is a change in any other information in the insider profile, an amended insider profile is only required at the time of the insider's next SEDI filing.

As a matter of law, the responsibility for filing and updating an electronic profile and for filing insider reports in SEDI lies solely with the insider. However, CGI's secretariat staff will send three days prior to the end of each month to each insider of the Company a reminder to complete an insider report, if necessary. It is recommended that each insider inform the Company's Corporate Secretary prior to completion of any transaction on CGI Securities.

[Table of Contents](#)



[Table of Contents](#)

Fundamental Texts

Appendix

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;

[Table of Contents](#)

Fundamental Texts

Appendix

- (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.

[Table of Contents](#)

Fundamental Texts

Appendix

- (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.

[Table of Contents](#)



MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR 2011

[Table of Contents](#)

November 10, 2011

BASIS OF PRESENTATION

This Management's Discussion and Analysis of the Financial Position and Results of Operations ("MD&A") is the responsibility of management and has been reviewed and approved by the Board of Directors. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out its responsibility mainly through its Audit and Risk Management Committee, which is appointed by the Board of Directors and is comprised entirely of independent and financially literate directors.

Throughout this document, CGI Group Inc. is referred to as "CGI", "we", "our" or "Company". This MD&A provides information management believes is relevant to an assessment and understanding of the 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, 2011, 2010, and 2009. 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 ("U.S. GAAP"). Our reconciliation of results reported in accordance with GAAP to U.S. GAAP can be found in Note 29 to the consolidated financial statements. All dollar amounts are in Canadian dollars unless otherwise indicated.

MATERIALITY OF DISCLOSURES

This MD&A includes information we believe is material to investors. We consider something to be material if it results in, or would reasonably be expected to result in, a significant change in the market price or value of our shares, or if it is likely that a reasonable investor would consider the information to be important in making an investment decision.

FORWARD-LOOKING STATEMENTS

All statements in this MD&A that do not directly and exclusively relate to historical facts constitute "forward-looking statements" within the meaning of that term in Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934, as amended, and are "forward-looking information" within the meaning of Canadian securities laws. These statements and this information represent CGI's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties and other factors, of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements or forward-looking information. These factors include but are not restricted to: the timing and size of new contracts; acquisitions and other corporate developments; the ability to attract and retain qualified members; market competition in the rapidly evolving information technology industry; general economic and business conditions; foreign exchange and other risks identified in the MD&A, in CGI's Annual Report on Form 40-F filed with the U.S. Securities and Exchange Commission (filed on EDGAR at www.sec.gov), the Company's Annual Information Form filed with the Canadian securities authorities (filed on SEDAR at 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 Risk Environment section.

[Table of Contents](#)

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 24. Definitions of constant currency growth, DSO, ROIC, ROE, and net debt to capitalization are provided on pages 9 and 10. A discussion of DSO, ROIC, ROE and net debt to capitalization can be found on page 31.

CHANGE IN REPORTING SEGMENTS

As a result of an organizational adjustment at the beginning of the fiscal year, CGI’s operations are being managed through four operating segments as compared to three in the prior years. Furthermore, the corporate segment is no longer identified and is completely allocated to the other four segments. Prior period results have been retrospectively revised to reflect this change. This MD&A reflects the current segmentation and therefore, restates the segmented results of the years ended September 30, 2010 and 2009. For more details on how our operations are managed, please refer to page 6 of this MD&A and to note 23 of the consolidated financial statements.

RECLASSIFICATION OF VERTICAL MARKETS

On October 31, 2011, CGI announced that it will now report a separate “Health” vertical market. The new vertical is the result of the Company’s strong historical performance and the sector’s overall importance to CGI’s global growth strategy. Previously, this sector was embedded within both the government and financial services verticals. In addition, the Company consolidated the manufacturing and retail & distribution vertical markets into one – manufacturing, retail & distribution (“MRD”). The MD&A incorporates the above changes to our vertical markets.

TRANSFER AGENT

Computershare Investor Services Inc.
(800) 564-6253

INVESTOR RELATIONS

Lorne Gorber
Senior Vice-President, Global Communications & Investor Relations
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Table of Contents

MD&A OBJECTIVES AND CONTENTS

- 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:

<u>Section</u>	<u>Contents</u>	<u>Pages</u>
1. Corporate Overview	This includes a description of our business and how we generate revenue as well as the markets in which we operate.	
	1.1. About CGI	6
	1.2. Vision and Strategy	7
	1.3. Competitive Environment	7
2. Highlights and Key Performance Measures	A summary of key achievements during the year, the past three years' key performance measures, and CGI share performance.	
	2.1. Fiscal Year 2011 Highlights	8
	2.2. Key Performance Measures Defined	9
	2.3. Selected Yearly Information & Key Performance Measures	10
	2.4. Stock Performance	11
3. Financial Review	A discussion of year-over-year changes to operating results for years ended September 30, 2011, 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.	
	3.1. Bookings and Book-to-Bill Ratio	12
	3.2. Foreign Exchange	15
	3.3. Revenue Distribution	17
	3.4. Revenue Variation and Revenue by Segment	18
	3.5. Operating Expenses	20
	3.6. Adjusted EBIT by Segment	22
	3.7. Earnings from Continuing Operations before Income Taxes	24
	3.8. Net Earnings and Earnings Per Share	25

Table of Contents

<u>Section</u>	<u>Contents</u>	<u>Pages</u>
4. Liquidity	This includes a discussion of changes in cash flows from operating, investing and financing activities. This section also describes the Company's available capital resources, financial instruments, and off-balance sheet financing and guarantees. Measures of liquidity (Days sale outstanding) and capital structure (Return on equity, net debt to capitalization, and return on invested capital) are analyzed on a year-over-year basis.	
	4.1. Statements of Cash Flows	27
	4.2. Capital Resources	29
	4.3. Contractual Obligations	29
	4.4. Financial Instruments and Hedges	30
	4.5. Selected Measures of Liquidity and Capital Resources	31
	4.6. Off-Balance Sheet Financing and Guarantees	31
	4.7. Capability to Deliver Results	32
5. Related Party Transactions	This section presents the total value of transactions and resulting balances with our joint venture – Innovapost Inc. ("Innovapost").	32
6. Joint Venture: Supplementary Information	This section presents CGI's proportionate share of Innovapost included in our consolidated financial statements.	33
7. Fourth Quarter Results	A discussion of year-over-year changes to operating results for the quarters ended September 30, 2011, and 2010, describing the factors affecting revenue and earnings on a consolidated and reportable segment basis.	
	7.1 Revenue Variation and Revenue by Segment	34
	7.2 Adjusted EBIT by Segment	35
	7.3 Net Earnings and Earnings Per Share	37
8. Summary of Quarterly Results	A summary of the past eight quarters' key performance measures and a discussion of the factors that could impact our quarterly results.	
	8.1 Key Performance Measures for the Past Eight Quarters	39
	8.2 Quarterly Variances	39
9. Summary of Significant Accounting Policies	This section 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.	
	9.1 Changes in Accounting Policies	40
	9.2 Critical Accounting Estimates	40
	9.3 International Financial Reporting Standards	43
10. Integrity of Disclosure	A discussion of the existence of appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.	54
11. Risk Environment	A discussion of the risks affecting our business activities and what may be the impact if these risks are realized.	
	11.1 Risks and Uncertainties	55
	11.2 Legal Proceedings	62

[Table of Contents](#)

1. CORPORATE OVERVIEW

1.1. ABOUT CGI

Founded in 1976 and headquartered in Montreal, Canada, CGI is one of the largest independent providers of end-to-end information technology services (“IT services”) and business process services (“BPS”) to clients worldwide, utilizing a flexible and 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 where we have developed extensive and deep subject matter expertise. This allows us to fully understand our clients’ business realities and to have the knowledge and solutions needed to advance their business goals. Our targeted vertical markets include government, financial services, MRD, telecommunications & utilities, and health.

The Company has more than 100 proprietary business solutions which help shape opportunities and drive incremental value for our clients and shareholders. 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 continue to maintain the International Organization for Standardization (“ISO”) quality program. By designing and implementing rigorous service delivery and quality standards, followed by monitoring and measurement, we are best able to satisfy our clients’ needs. All of our business units continue to be certified.

Our operations are managed in four operating segments based on our delivery model incorporating domestic activities as well as services from utilizing our unique global delivery model. The Global Infrastructure Services (“GIS”) segment incorporates all services we provide to our clients globally for the management of their technology infrastructure. The other segments are based on our geographic delivery model: Canada, U.S. and India (“U.S.”) and Europe and Asia Pacific (“Europe”).

Table of Contents

1.2. VISION AND STRATEGY

At CGI, we derive our business vision from our dream which is to create an environment in which members enjoy working together and, as owners, contribute to building a company 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.

1.3. COMPETITIVE ENVIRONMENT

As a global provider of end-to-end information technology and business process services, CGI operates in a highly competitive and rapidly evolving global industry. Our competition comprises a variety of global players, from niche companies providing specialized services to other end-to-end service providers, mainly in the U.S., Europe and India, all of whom are competing to deliver some or all of the services we provide.

Recent mergers and acquisition activity has resulted in CGI being positioned as one of the few remaining IT services firms that operates independently of any hardware or software vendor. 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 in which we have deep business and technical expertise covering 90% of global IT spend. These vertical markets are: government, financial services, MRD, telecommunications & utilities, and health. To compete effectively, CGI focuses on high-end systems integration, consulting and outsourcing where vertical market industry knowledge and expertise are required.

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

There are many factors involved in winning and retaining IT and BPS contracts 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.

[Table of Contents](#)

2. HIGHLIGHTS AND KEY PERFORMANCE MEASURES

2.1. FISCAL YEAR 2011 HIGHLIGHTS

The Company continued to grow year-over-year and our adjusted EBIT margin continues to remain strong, providing necessary cash from operations to pay down our long-term debt and to increase the return to our shareholders. The highlights below include the impacts of the Performance Improvement Plan as explained below in section 2.1.3.:

- Bookings of \$4.9 billion;
- Book-to-bill ratio of 113%;
- Constant currency revenue growth of 18.9% over last year;
- Adjusted EBIT margin remains high at 13.0%;
- Basic and diluted EPS grew by 29.1% and 27.4% respectively compared to the prior year;
- Return on equity reached 19.5%;
- Cash provided by continuing operating activities remained strong, representing 13.2% of revenue; and
- Repurchased 16.4 million Class A subordinate shares of the Company.

2.1.1. Conseillers en informatique d'affaires CIA Inc.

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

2.1.2. Private Debt Placement

During the fourth quarter, the Company entered into a US\$475.0 million private debt placement financing with U.S. institutional investors. The private placement is comprised of three tranches of senior U.S. unsecured notes, with a weighted average maturity of 8.2 years and a weighted average fixed coupon of 4.57%. The Company will draw down the proceeds no later than December 15, 2011, and plans to execute interest rate swaps subject to favourable market conditions in order to reduce its financing costs and maximize flexibility. The Company intends to use the proceeds of the private placement to pay down part of the Company's existing revolving term facility which matures in August 2012.

2.1.3. Performance Improvement Plan

During the fourth quarter, the Company accelerated the on-going optimization of its cost structure in light of the current economic environment and outlook. Technological advancements have enabled our workforce to become increasingly mobile. This increased mobility of our workforce along with the growth in our global delivery centres evolved our real estate needs. As a result, and in order to remain competitive, a total pre-tax charge of \$45.4 million was taken mainly comprised of provisions on excess real estate, related leasehold improvements and severance costs in the amount of \$33.7 million. Also, through a review of the Company's business solutions portfolio and following the deferral of investments by some of our clients, management decided to lower the outlook for certain of the Company's business solution investments and therefore, resulted in the impairment of two business solutions. An impairment charge of \$11.7 million was taken on these solutions primarily for the financial services market. Of the \$45.4 million charge, \$29.6 million is included in "Cost of services, selling and administrative" while the \$11.7 million impairment charge and \$4.1 million of leasehold improvements write-off is included in "Amortization" on the Consolidated Statement of Earnings. Please see section 7 – Fourth Quarter Results for more information.

Table of Contents

2.2. KEY PERFORMANCE MEASURES DEFINED

We use a combination of financial measures, ratios, and non-GAAP measures to assess our Company's performance. The table below summarizes our most relevant key performance measures. The calculated results and discussion of each indicator follow in the subsequent sections.

Profitability	- Adjusted EBIT – is a measure of earnings before items not directly related to the cost of operations, such as financing costs, acquisition-related and integration costs and income taxes (see definition on page 3). Management believes this best reflects the profitability of our operations. - Diluted earnings per share attributable to shareholders of CGI – is a measure of earnings generated for shareholders on a per share basis, assuming all dilutive elements 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 a DSO below its 45-day target.
Growth	- Constant currency growth – is a measure of revenue growth before foreign currency impacts. This growth is calculated by translating current period results in local currency using the conversion rates in the equivalent period from the prior year. We believe that it is helpful to adjust revenue to exclude the impact of currency fluctuations to facilitate period-to-period comparisons of business performance. - 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 the value of our contract wins to our revenue in the period. This metric allows management to monitor the Company's business development efforts to ensure we grow our backlog and our business over time. Management remains committed to maintaining a target ratio greater than 100% over a 12-month period. Management believes that the longer period is a more effective measure as the size and timing of bookings could cause this measurement to fluctuate significantly if taken for only a three-month period.
Capital Structure	- Net Debt to Capitalization ratio – is a measure of our level of financial leverage net of our cash and cash equivalents, short-term investments and marketable long-term investments. Management uses this metric to monitor the proportion of debt versus capital used to finance our operations and it provides insight into our financial strength. - 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.

[Table of Contents](#)

2.3. SELECTED YEARLY INFORMATION & KEY PERFORMANCE MEASURES

As at and for the year ended September 30
(in thousands of dollars unless otherwise noted)

	2011	2010	2009	Change 2011/2010	Change 2010/2009
Growth					
Backlog ¹ (in millions of dollars)	13,456	13,320	10,893	1.0%	22.3%
Bookings (in millions of dollars)	4,875	4,643	4,059	5.0%	14.4%
Book-to-bill ratio	113%	124%	106%		
Revenue	4,323,237	3,732,117	3,825,161	15.8%	-2.4%
Year-over-year growth	15.8%	-2.4%	3.2%		
Constant currency growth ²	18.9%	3.4%	-1.9%		
Profitability					
Adjusted EBIT ³	561,952	511,902	460,741	9.8%	11.1%
Adjusted EBIT margin	13.0 %	13.7 %	12.0 %		
Net earnings	435,065	362,766	317,205	19.9%	14.4%
Net earnings margin	10.1 %	9.7 %	8.3 %		
Basic EPS (in dollars) ⁴	1.64	1.27	1.03	29.1%	23.3%
Diluted EPS (in dollars) ⁴	1.58	1.24	1.02	27.4%	21.6%
Liquidity					
Cash provided by continuing operating activities	571,215	552,367	630,244	3.4%	-12.4%
As a percentage of revenue	13.2 %	14.8 %	16.5 %		
Days sales outstanding ⁵	53	47	39	12.8%	20.5%
Capital structure					
Net debt to capitalization ratio ⁶	26.8%	30.6%	n/a		
Net debt (cash)	897,418	1,010,816	(66,034)	-11.2%	1630.8%
Return on equity ⁷	19.5%	16.4%	14.2%		
Return on invested capital ⁸	14.1%	16.3%	14.0%		
Balance sheet					
Cash, cash equivalents, bank overdraft and short-term investments	92,389	141,020	343,427	-34.5%	-58.9%
Total assets	4,685,543	4,607,191	3,899,910	1.7%	18.1%
Long-term financial liabilities ⁹	728,809	1,159,198	349,362	-37.1%	231.8%

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 18 for details.

³ Adjusted EBIT is a non-GAAP measure for which we provide the reconciliation to its closest GAAP measure on page 24.

⁴ Earnings per share ("EPS") amounts are attributable to shareholders of CGI.

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 and bank overdraft, net of cash and cash equivalents, short-term and marketable long-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").

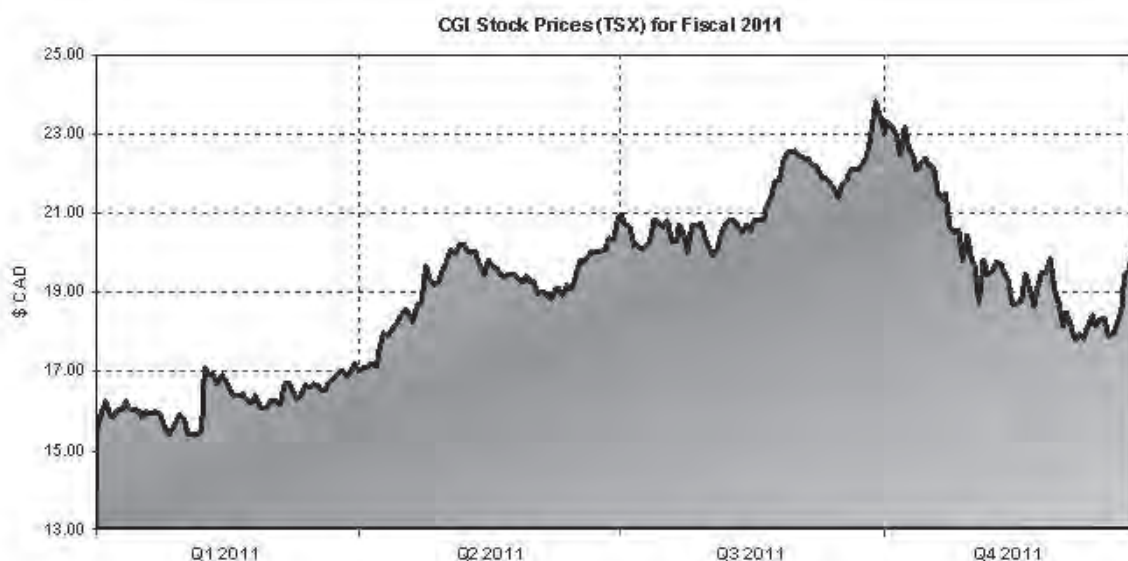
⁷ The return on equity ratio is calculated as the proportion of earnings from continuing operations for the year over the last four quarters' average equity attributable to shareholders of CGI.

⁸ The return on invested capital ratio represents the proportion of the after-tax adjusted EBIT over the last four quarters' average invested capital, which is defined as the sum of equity attributable to shareholders of CGI, long-term debt and bank overdraft, less cash and cash equivalents, short-term and marketable long-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 other long-term liabilities.

[Table of Contents](#)

2.4. STOCK PERFORMANCE



2.4.1. FY 2011 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\$)	NYSE	(US\$)
Open:	15.27	Open:	15.03
High:	24.30	High:	25.63
Low:	15.27	Low:	14.88
Close:	19.71	Close:	18.81
CDN average daily trading volumes:	1,150,372	U.S. average daily trading volumes:	259,029

Includes the average daily volumes of both the TSX and alternative trading systems.

2.4.2. Share Repurchase Program

On January 26, 2011, 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 shares over the next 12 months. The NCIB enables CGI to purchase, on the open market, up to 23,006,547 Class A subordinate shares for cancellation. The Class A subordinate shares may be purchased under the NCIB commencing February 9, 2011 and ending on the earlier of February 8, 2012, or the date on which the Company has either acquired the maximum number of Class A subordinate shares allowable under the NCIB, or elects to terminate the NCIB.

During fiscal year 2011, the Company repurchased 16,373,400 of its Class A subordinate shares for \$305.0 million at an average price of \$18.63, under the current and previous NCIB. As at September 30, 2011, the Company may purchase up to an additional 13.3 million shares under the current NCIB.

[Table of Contents](#)
2.4.3. Capital Stock and Options Outstanding (as at November 3, 2011)

227,289,487 Class A subordinate shares

33,608,159 Class B shares

26,372,456 options to purchase Class A subordinate shares

3. FINANCIAL REVIEW**3.1. BOOKINGS AND BOOK-TO-BILL RATIO**

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

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

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

3.1.1. Significant Bookings in the Year

<u>ANNOUNCEMENT DATE</u>	<u>CLIENT</u>	<u>DURATION</u>	<u>VALUE</u>
October 21, 2010	U.S. General Services Administration	Five years	US\$76.0 million
	<i>CGI has been selected as one of the 11 companies awarded a five-year, government-wide Blanket Purchase Agreement for Infrastructure as a Service by the U.S. General Services Administration. During this contract CGI will offer government agencies virtual machines and Web hosting services in a cloud environment.</i>		
November 5, 2010	SaskEnergy	Seven years	Not released
	<i>CGI's work includes the replacement of SaskEnergy's legacy customer and billing information system utilizing Oracle's Customer Care and Billing application to manage critical business functions including customer service, billing, collections and meter management.</i>		
November 17, 2010	U.S. Defense Information Technology Contracting Organization	Five years	US\$28.0 million
	<i>CGI will support the Kyrgyzstan Border Service's efforts to better coordinate control of their border as well as provide information technology support to the U.S. Army Communications-Electronics Command's counter narcotics efforts.</i>		
January 11, 2011	U.S. Department of Housing and Urban Development ("HUD")	Until Sept 30, 2011	US\$40.3 million
	<i>In conjunction with state and local housing agencies, CGI administers HUD's multi-family housing programs in California, Florida, New York, Ohio, and Washington, DC. CGI's contract is performance-based and, since its award 10 years ago, the company has demonstrated a strong track record of performance on behalf of its partner housing agencies.</i>		

Table of Contents

ANNOUNCEMENT DATE	CLIENT	DURATION	VALUE
January 12, 2011	Industrial Alliance Insurance and Financial Services, Inc.	Ten year extension and expansion	\$137.0 million
	<i>CGI will continue to support the strategic growth of Industrial Alliance, the fourth largest life and health insurance firm in Canada, by becoming its preferred IT vendor delivering a wide range of IT services.</i>		
January 12, 2011	Centers for Medicare & Medicaid Services	Five years	US\$55.0 million
	<i>CGI will continue software development and operational support services for the Provider Enrollment Chain Ownership System including Health Information Technology for Economic and Clinical Health registration and attestation functionality.</i>		
January 18, 2011	Société Générale Corporate & Investment Banking (“SG CIB”)	Three years	Not released
	<i>CGI will provide application development and support services using its global delivery centres to SG CIB locations in Paris, London, New York, Singapore and Hong Kong.</i>		
March 2, 2010	Highmark Blue Cross Blue Shield	Five year renewal	Not released
	<i>CGI will provide comprehensive claims audit services to identify provider overpayments and coding errors on claims submitted from providers throughout the Commonwealth of Pennsylvania. The work will be performed by consultants, claims investigators, clinicians, and coding specialists using the company’s proprietary Customized Audit System software—an enterprise-wide solution designed to support the prediction, identification, management, and analysis of claims.</i>		
April 26, 2011	State of California Franchise Tax Board (“FTB”)	Five and a half years	US\$399.0 million
	<i>CGI’s innovative solution will support fundamental changes in FTB’s tax processing that will generate an estimated \$2.8 billion in additional revenue for the State by 2016-2017, helping to narrow its substantial tax revenue gap. The Enterprise Data to Revenue project will be a performance-based, benefits-funded contract where CGI is paid from a percentage of the increased revenues generated. The contract includes a five-year option for maintenance and operation valued at an additional \$139 million.</i>		
May 17, 2011	Space and Naval Warfare Systems Center	Not Released	US\$49.0 million
	<i>CGI will continue to provide production execution, testing, and technical support for U.S. military Command, Control, Communications, Computers, Combat Systems, Intelligence, Surveillance and Reconnaissance (C5ISR) mission modules.</i>		
May 18, 2011	Environmental Protection Agency (“EPA”)	Seven years	US\$34.0 million
	<i>Under the multi-vendor ITS-EPA II Program Blanket Purchase Agreement, CGI will partner with EPA to develop and implement a new cyber security approach focused on strengthening the internal security posture, streamlining processes, re-engineering operations, and enhancing service tracking.</i>		
May 19, 2011	Evraz	Until 2016	Not released
	<i>CGI will provide IT services support to its North American operations.</i>		
May 31, 2011	Commonwealth of Pennsylvania, Department of Public Welfare	Four year renewal	US\$44.9 million
	<i>CGI will help prevent, detect, deter and correct provider improper payments within Pennsylvania’s Medicaid Medical Assistance program. CGI will use its proprietary data mining software, the Customized Audit System, to conduct reviews of claims and records, identify over and underpayments for recovery, and provide support for appeals activities.</i>		
June 7, 2011	University Health Network	Seven years	\$50.0 million
	<i>CGI’s solution will provide a secure, shared repository for storage, retrieval and viewing of diagnostic images such as X-rays and MRIs, and associated documents across multiple hospital sites in greater Toronto and central Ontario.</i>		
July 22, 2011	State of Alaska’s Department of Administration	Seven years	US\$54.0 million
	<i>CGI will provide services for project management, business process redesign, system configuration and development, data conversion and training. The State will subscribe to CGI’s managed services offering, Managed Advantage, for application maintenance, technical upgrades and help desk support.</i>		
July 22, 2011	Encana Corporation	Five years	Not released
	<i>CGI will manage over 370 custom applications Encana requires to run its business. CGI is leveraging its near-shore delivery capabilities and predictive cost model to minimize risk and reduce cost.</i>		

Table of Contents

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

CGI Group Inc. – Management's Discussion and Analysis for the Year Ended September 30, 2011

Page 14 of 62

Table of Contents

3.1.2. Significant Contract Vehicles

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

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

* Vehicle US\$ Ceiling are for all awarded vendors including CGI Group Inc.

3.2. FOREIGN EXCHANGE

The Company operates globally and is exposed to changes in foreign currency rates. We report all dollar amounts in Canadian dollars. Accordingly, we value assets, liabilities and transactions that are measured in foreign currencies using various exchange rates as prescribed by GAAP.

Closing foreign exchange rates

<u>As at September 30,</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Change 2011/2010</u>	<u>Change 2010/2009</u>
U.S. dollar	1.0389	1.0298	1.0722	0.9%	-4.0%
Euro	1.3971	1.4006	1.5686	-0.2%	-10.7%
Indian rupee	0.0212	0.0231	0.0223	-8.2%	3.6%
British pound	1.6231	1.6198	1.7158	0.2%	-5.6%

[Table of Contents](#)
Average foreign exchange rates

<u>For the years ended September 30,</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Change 2011/2010</u>	<u>Change 2010/2009</u>
U.S. dollar	0.9866	1.0407	1.1804	-5.2%	-11.8%
Euro	1.3759	1.4116	1.5944	-2.5%	-11.5%
Indian rupee	0.0219	0.0226	0.0242	-3.1%	-6.6%
British pound	1.5845	1.6227	1.8235	-2.4%	-11.0%

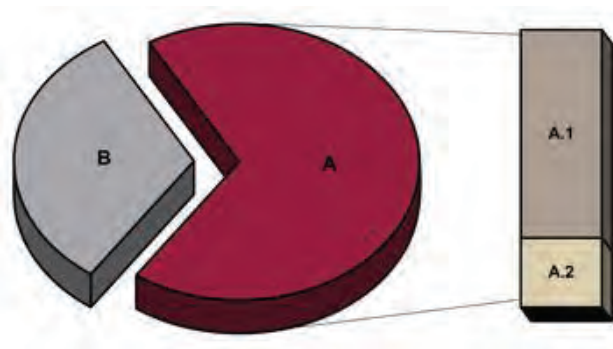
CGI Group Inc. – Management’s Discussion and Analysis for the Year Ended September 30, 2011

Page 16 of 62

Table of Contents

3.3. REVENUE DISTRIBUTION

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



Contract Types

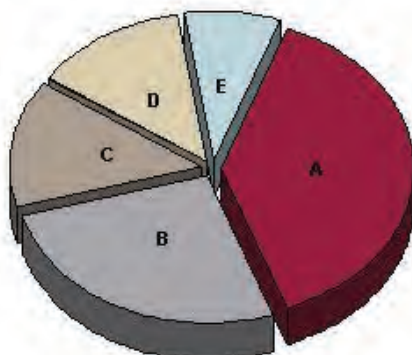
- A. Management of IT and business functions (outsourcing) – 68%
 - 1. IT services – 51%
 - 2. Business process services – 17%
- B. Systems integration and consulting – 32%



Client Geography

Based on client's domicile

- A. U.S. – 47%
- B. Canada – 47%
- C. Europe – 6%



Vertical Markets

- A. Government – 39%
- B. Financial services – 26%
- C. Manufacturing, retail and distribution – 14%
- D. Telecommunications and utilities – 13%
- E. Health – 8%

3.3.1. 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. Our work for the U.S. federal

Table of Contents

government including its various agencies represented 28.5% of our revenue for fiscal 2011 as compared to 13.7% in fiscal 2010, and 10.3% in fiscal 2009.

3.4. 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 2011 and 2010 fiscal periods. The 2010 and 2009 revenue by segment is recorded reflecting the actual foreign exchange rates for that year. The foreign exchange impact is the difference between the current period's actual results and the current period's results converted with prior year's foreign exchange rates.

For the years ended September 30 (in thousands of dollars except for percentage)	2011	2010	2009	Change 2011/2010	Change 2010/2009
Total CGI Revenue	4,323,237	3,732,117	3,825,161	15.8%	-2.4%
Variation prior to foreign currency impact	18.9%	3.4%	-1.9%		
Foreign currency impact	-3.1%	-5.8%	5.1%		
Variation over previous period	15.8%	-2.4%	3.2%		
Global Infrastructure Services					
Revenue prior to foreign currency impact	816,891	857,955	928,897	-4.8%	-6.0%
Foreign currency impact	(4,807)				
Global Infrastructure Services revenue	812,084	857,955	928,897	-5.3%	-7.6%
Canada					
Revenue prior to foreign currency impact	1,339,704	1,345,445	1,335,455	-0.4%	1.3%
Foreign currency impact	(3,324)				
Canada revenue	1,336,380	1,345,445	1,335,455	-0.7%	0.7%
U. S.					
Revenue prior to foreign currency impact	2,058,064	1,335,795	1,310,093	54.1%	14.6%
Foreign currency impact	(104,053)				
U.S. revenue	1,954,011	1,335,795	1,310,093	46.3%	2.0%
Europe					
Revenue prior to foreign currency impact	224,653	192,922	250,716	16.4%	-13.9%
Foreign currency impact	(3,891)				
Europe revenue	220,762	192,922	250,716	14.4%	-23.1%

For fiscal 2011, revenue was \$4,323.2 million, an increase of \$591.1 million or 15.8% compared to fiscal 2010. On a constant currency basis, revenue grew by 18.9% year-over year, while foreign exchange fluctuations negatively impacted our revenue by \$116.1 million or 3.1% mainly due to the fluctuations of the U.S. dollar exchange rate. We experienced a significant increase in revenue in our U.S. segment primarily due to the inclusion of a full year's revenue from Stanley, Inc. ("Stanley"), a U.S. federal government contractor. Stanley was acquired on August 17, 2010. On a constant currency basis, our government vertical market grew the most over the past year at 58.8% followed by our health and MRD vertical markets at 21.5% and 10.6%, respectively.

The economic challenges of fiscal 2009 continued into the first quarter of our 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

Table of Contents

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%. On a constant currency basis from fiscal 2009 to 2010, our health vertical market grew the most at 33.9% followed by our government vertical market at 8.2%.

3.4.1. Global Infrastructure Services

Revenue for GIS was \$812.1 million in fiscal 2011, compared to \$858.0 million in the prior year representing a decrease of \$45.9 million or 5.3% over fiscal 2010. There was a \$4.8 million unfavourable foreign exchange impact included in the revenue of GIS. The change is due to the expiration of an outsourcing contract in our financial services vertical market.

For the year ended September 30, 2010, revenue from our GIS operating segment was \$858.0 million representing a decrease of \$70.9 million or 7.6% over fiscal 2009 revenue of \$928.9 million. In fiscal 2009, a larger than normal volume of IT projects were started especially for our clients in the MRD vertical market. The volume reduced in the following year causing the majority of the decrease for the segment.

3.4.2. Canada

Revenue in Canada was \$1,336.4 million in fiscal 2011, a decrease of \$9.1 million or 0.7% over fiscal 2010. The decrease came from lower work volumes and delays in project start-ups from our clients, particularly in the telecommunications & utilities and government vertical markets. The government vertical market was also impacted by the expiration of a low margin contract. In addition, with the disposition of CIA in April 2011, revenue in Canada was unfavourably impacted by approximately \$17.3 million in fiscal 2011. These decreases were partially offset by growth in the MRD and health vertical markets.

Revenue in Canada was \$1,345.4 million in fiscal 2010, an increase of \$10.0 million or 0.7% over fiscal 2009. The increase comes mostly from financial services clients, partially offset by decreases in telecommunications & utilities and government clients.

3.4.3. U.S.

Revenue in U.S. was \$1,954.0 million in fiscal 2011, an increase of \$618.2 million or 46.3% over fiscal 2010. On a constant currency basis, revenue in this segment rose by \$722.3 million or 54.1%. The unfavourable foreign currency fluctuations caused a decrease of \$104.1 million. The increase in revenue was mainly generated by the growth from the government vertical market, mostly due to the full year's impact of the acquisition of Stanley. In addition, we have seen increases in volumes of work from our health vertical market and from work being delivered out of our global delivery centres. This growth was partially offset by decreases experienced with state and local government clients, and with clients in our financial services vertical market.

U.S. revenue was \$1,335.8 million in fiscal 2010, an increase of \$25.7 million or 2.0% over fiscal 2009. On a constant currency basis, revenue in this segment rose by 14.6%. Part of this growth is from a combination of new contracts won in the fiscal 2010 and the contracts that came on stream in the latter part of fiscal 2009. These contracts were mostly in the financial services, government and health vertical markets. The increase is also partially attributed to the revenue growth generated by the acquisition of Stanley, reflecting six weeks of operations in fiscal 2010.

3.4.4. Europe

Revenue for Europe was \$220.8 million in fiscal 2011, compared to \$192.9 million in the prior year representing an increase of \$27.8 million or 14.4% over fiscal 2010. Before foreign currency impacts, revenue increased by \$31.7 million or 16.4%, with growth across all our major geographies. The unfavourable foreign exchange rate fluctuations negatively impacted revenue by \$3.9 million, mostly due to the devaluation of the euro and British pound. Higher work volumes came from new and existing clients in the financial services and telecommunications & utilities vertical markets.

Table of Contents

Revenue in Europe was \$192.9 million in fiscal 2010 compared to \$250.7 million in fiscal 2009, a decrease of \$57.8 million or 23.1%. Before foreign currency impacts, revenue decreased by 13.9%, 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. Our clients in this segment are predominantly in the financial services and telecommunications & utilities vertical markets, which were the two hardest hit by the economic recession.

3.5. OPERATING EXPENSES

For the years ended September 30 (in thousands of dollars except for percentage)	2011	% of Revenue	2010	% of Revenue	2009	% of Revenue
Costs of services, selling and administrative	3,553,192	82.2%	3,025,823	81.1%	3,170,406	82.9%
Foreign exchange gain	(3,279)	(0.1%)	(916)	(0.0%)	(1,747)	(0.0%)
Amortization	211,372	4.9%	195,308	5.2%	195,761	5.1%
<i>Capital assets</i>	<i>78,627</i>	<i>1.8 %</i>	<i>72,067</i>	<i>1.9 %</i>	<i>61,412</i>	<i>1.6 %</i>
<i>Contract costs related to transition costs</i>	<i>23,100</i>	<i>0.5 %</i>	<i>30,396</i>	<i>0.8 %</i>	<i>22,377</i>	<i>0.6 %</i>
<i>Other intangible assets</i>	<i>97,926</i>	<i>2.3 %</i>	<i>92,845</i>	<i>2.5 %</i>	<i>100,829</i>	<i>2.6 %</i>
<i>Impairment of other intangible assets</i>	<i>11,719</i>	<i>0.3 %</i>	—	<i>0.0 %</i>	<i>11,143</i>	<i>0.3 %</i>

3.5.1. Costs of Services, Selling and Administrative

When compared to fiscal 2010, costs of services, selling and administrative expenses increased by \$527.4 million mainly due to the acquired business of Stanley. The translation of the results of our foreign operations from their local currencies to the Canadian dollar favourably impacted costs by \$103.0 million, partially offsetting the unfavourable translation impact of \$116.1 million on revenue. As a percentage of revenue, costs of services, selling and administrative increased by 1.1% to 82.2% from 81.1% for fiscal 2010. Our costs of services increased as a percentage of revenue due mostly to the impact of including the first full year of operations from the acquisition of Stanley with its higher proportion of cost-plus contracts. In addition, some of our offices experienced delays in project start-ups which resulted in under utilization of our resources and therefore, impacted our direct costs. The Company incurred \$43.2 million in our fiscal year related primarily to the rationalization of excess real estate in our operations and severance costs to realign our workforce, as explained in section 2.1.3. This was \$16.8 million more than the \$26.4 million incurred in the prior year for similar expenses. The variances were also offset partially by the favourable impact from a license sale for \$10.2 million and the settlement of a bad debt during the first quarter of the fiscal year. Our selling and administrative expenses, as a percentage of revenue, decreased as we continued to rationalize our facilities and other fixed costs. Our costs of services are primarily driven by expenses associated with our human resources which can vary due to performance based adjustments to our profit sharing amounts and other compensation accruals in the period.

In 2010, costs of services, selling and administrative expenses decreased by \$144.6 million. The translation of the results of our foreign operations from their local currencies to the Canadian dollar favourably impacted costs by \$189.3 million, 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 improvement is due to the numerous initiatives taken in the prior two years to improve our gross margin. In 2010, we incurred approximately \$26.4 million on severances and the elimination of excess real estate. Our selling and administrative expenses as a percentage of revenue decreased slightly from the prior year.

3.5.2. Foreign Exchange Gain

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 forward contracts.

Table of Contents

3.5.3. Amortization

Amortization for fiscal 2011 increased by \$16.1 million to \$211.4 million representing 4.9% of revenue. This compares to \$195.3 million incurred in fiscal 2010 representing 5.2% of revenue. The increase in expense is primarily related to the impairment of business solutions and the write-off of leasehold improvements as a result of exited space in the total amount of \$15.8 million. The translation of the results of our foreign operations from their local currencies to the Canadian dollar favourably impacted amortization expense for \$4.8 million.

In fiscal 2010, total amortization decreased by \$0.5 million compared to fiscal 2009 and the ratio of expense to revenue remained relatively stable. The translation of the results of our foreign operations from their local currencies to the Canadian dollar favourably impacted amortization expense for \$8.2 million in 2010.

For fiscal year 2011, the increase of \$6.6 million in amortization expense for capital assets over 2010 is mainly due to the write-off of leasehold improvements associated with certain facilities in North America which were exited for approximately \$4.1 million. In addition, amortization of computer equipment increased in line with the investments made to support new contracts and to upgrade our data centre infrastructure.

When comparing fiscal 2010 to 2009, the amortization of capital assets increased by \$10.7 million. The majority of the increase related to the full year's impact of equipment purchased the previous 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 and workspace densification efforts over the past couple of years decreasing the need for leased space and the associated leasehold improvements.

In fiscal 2011, amortization of contract costs decreased by \$7.3 million to \$23.1 million compared to fiscal 2010. The decrease is due to the impact of successfully completed projects partially offset by the amortization of transition costs on new contracts awarded to us in the prior periods. Additionally, in 2010, amortization expense was higher due to the modification of two contracts. When comparing 2010 and 2009 the amortization of contract costs increased by \$8.0 million. This reflects the accelerated amortization of contract costs for the modification of two contracts as well as the start-up of new, large contracts signed over the prior quarters.

For fiscal 2011, amortization of other intangible assets increased by \$5.1 million to \$97.9 million compared to \$92.8 million in fiscal 2010. The increase is due to the amortization of new client relationships relating to the Stanley acquisition and to new software licenses required to support our growth. These increases were partially offset by lower amortization from other client relationships and certain business solutions that have been fully amortized over the last year.

Amortization of other intangible assets decreased by \$8.0 million in fiscal 2010 when compared to fiscal 2009. This is mainly attributable to the lower amortization associated on certain client relationships being fully amortized and the acceleration of amortization on certain business solutions at the end of fiscal 2009. In addition, over the last two years, we have expanded the utilization of our offshore resources to reduce our investment cost in business solutions. Our results incorporated incremental amortization of \$3.6 million mainly pertaining to client relationships associated with the acquisition of Stanley.

In the last quarter of fiscal 2011, due to the current economic environment outlook and the deferral of investment decisions by some of our clients, an impairment charge of \$11.7 million was taken on certain business solutions primarily serving the financial markets. No impairment charges were taken in fiscal 2010. At the end of fiscal 2009, a charge of \$11.1 million was taken predominantly for other solutions deemed impaired for the financial markets.

[Table of Contents](#)

3.6. ADJUSTED EBIT BY SEGMENT

For the years ended September 30

(in thousands of dollars except for percentage)

	2011	2010	2009	Change 2011/2010	Change 2010/2009
Global Infrastructure Services	106,902	89,225	85,720	19.8%	4.1%
<i>As a percentage of GIS revenue</i>	13.2 %	10.4 %	9.2 %		
Canada	263,700	259,075	212,546	1.8%	21.9%
<i>As a percentage of Canada revenue</i>	19.7 %	19.3 %	15.9 %		
U.S.	182,840	166,917	149,015	9.5%	12.0%
<i>As a percentage of U.S. revenue</i>	9.4 %	12.5 %	11.4 %		
Europe	8,510	(3,315)	13,460	356.7%	-124.6%
<i>As a percentage of Europe revenue</i>	3.9 %	-1.7 %	5.4 %		
Adjusted EBIT	561,952	511,902	460,741	9.8%	11.1%
<i>Adjusted EBIT margin</i>	13.0 %	13.7 %	12.0 %		

3.6.1. Global Infrastructure Services

Adjusted EBIT in GIS was \$106.9 million, an increase of \$17.7 million over fiscal 2010. As a percentage of revenue, the margin increased from 10.4% to 13.2%. The increase is due to the favourable impacts from investments within our data centre operations and productivity improvements made in the year. This was partially offset by the expiration of an outsourcing contract in our third quarter causing a temporary increase in excess capacity. In addition, the current year was impacted by provisions for excess real estate, severance costs and leasehold improvements write-offs in the amount of \$9.3 million, an increase of \$6.7 million over last year.

In fiscal 2010, adjusted EBIT in GIS was \$89.2 million, an increase of \$3.5 million over fiscal 2009. The increase is due predominately to improvements made within our data centre operations from prior years' initiatives. The improvement was partially offset by the margin impact associated with lower work volumes from our clients as discussed above in the revenue section.

3.6.2. Canada

Canada adjusted EBIT increased by 1.8%, reaching \$263.7 million in fiscal 2011, compared to \$259.1 million in fiscal 2010. As a percentage of revenue, the margin increased from 19.3% in 2010 to 19.7% in 2011. The increase is attributed to a number of factors including higher margins associated with increased intellectual property based revenues, the collection of a \$6.5 million bad debt in the first quarter of fiscal 2011 and a reduction to the segment's incentive accruals based on its growth performance. These factors were partially offset by the impacts of the revenue decrease as outlined earlier and the incremental year-over-year expenses associated with excess real estate, severances, leasehold improvement write-offs and impairments in the amount of \$21.7 million.

In fiscal 2010, adjusted EBIT in Canada increased by \$46.5 million or 21.9% over fiscal 2009. As a percentage of revenue, the margin also increased from 15.9% to 19.3%. The increase in margin for Canada is due to prior year's initiatives to improve our gross margin in this segment. Severances and real estate provisions taken in 2010 were \$12.1 million.

Table of Contents
3.6.3. U.S.

Adjusted EBIT in U.S. increased by \$15.9 million or 9.5% over fiscal 2010. Before the unfavourable foreign exchange impact of \$8.5 million, adjusted EBIT would have increased by \$24.4 million or 14.6% over fiscal 2010. The increase is mainly due to the Stanley acquisition and the \$10.2 million license sale in the first quarter of fiscal 2011 pertaining to the reorganization and divestment of some operations by one of our clients. The adjusted EBIT margin decreased from 12.5% to 9.4%. This is due to a number of factors: we made investments in our India delivery centres to expand our capacity in order to respond to new opportunities; the Stanley acquisition contributed to an increase in amortization of client relationships of \$16.4 million as well as higher proportion of cost-plus contracts; and the effect of lower member utilization due to the delays in project start-ups for certain clients. Despite our bid and proposal activities to initiate new projects, the uncertainty reigning in the U.S. economy caused the pace of the federal government contract awards to be delayed to the latter half of the fiscal year, thereby increasing costs and impacting our U.S. profitability. During the year, approximately \$12.3 million was incurred primarily for severance costs, impairments, leasehold improvements write-off and excess real estate which represented an increase of \$7.2 million over fiscal 2010.

In 2010, U.S. adjusted EBIT increased by \$17.9 million or 12.0% when compared to fiscal 2009. The results for Stanley since August 17th were incorporated into our results. As a percentage of revenue, our margin increased from 11.4% to 12.5%. The improvement was the result of increased productivity in both our domestic operations and our Indian centres of excellence.

3.6.4. Europe

Adjusted EBIT from our Europe operations totalled \$8.5 million in fiscal 2011, an \$11.8 million increase compared to fiscal 2010. As a percentage of revenue, our margin also increased by 5.6% from negative 1.7% in 2010 to 3.9% in 2011. The prior year's restructuring initiatives continued to help improve our earnings margins in the current year. Revenue growth in the telecommunications & utilities and financial services vertical markets also helped improve earnings in this segment. In addition, severances and related costs incurred in fiscal 2011 totalled approximately \$3.7 million whereas in the prior fiscal year, \$6.7 million of charges were taken.

In fiscal 2010, our Europe adjusted EBIT decreased by \$16.8 million when compared to fiscal 2009. As a percentage of revenue, our margin decreased from 5.4% in 2009 to negative 1.7% 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 taking action as quickly or as significantly as we would have preferred. Severances and other related charges were taken in the amount of \$6.7 million in an effort to return this segment back to historical profitable levels.

[Table of Contents](#)

3.7. 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 thousands of dollars except for percentage)	2011	% of Revenue	2010	% of Revenue	2009	% of Revenue
Adjusted EBIT	561,952	13.0%	511,902	13.7%	460,741	12.0%
Acquisition-related and integration costs	3,675	0.1%	20,883	0.6%	—	0.0%
Interest on long-term debt	19,395	0.4%	17,123	0.5%	18,960	0.5%
Interest income	(3,759)	-0.1%	(2,419)	-0.1%	(2,908)	-0.1%
Other (income) expenses	(3,917)	-0.1%	(952)	0.0%	3,569	0.1%
Gain on sale of capital assets	—	0.0%	(469)	0.0%	—	0.0%
Earnings from continuing operations before income taxes	546,558	12.6%	477,736	12.8%	441,120	11.5%

3.7.1. Acquisition-Related and Integration Costs

These amounts pertained to the costs to integrate the operations and to realize synergies in regards to the acquisition of Stanley concluded in August 2010. Total acquisition-related and integration costs in fiscal 2010 and fiscal 2011 totalled \$24.6 million. Only \$3.7 million of acquisition-related and integration costs were incurred in fiscal 2011 compared to the \$5.4 million expected at the end of fiscal 2010. No more costs pertaining to the Stanley acquisition will be incurred.

3.7.2. Interest on Long-Term Debt

The year-over-year increase in interest expense for the fiscal year is mainly due to the debt used to finance the acquisition of Stanley, partially offset by the repayment of the second tranche of U.S. Senior unsecured notes that matured at the end of January 2011.

3.7.3. Interest Income

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

3.7.4. Other (Income) Expenses

Other (income) expenses reflects mainly 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. 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.

[Table of Contents](#)

3.8. NET EARNINGS AND EARNINGS PER SHARE

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

For the years ended September 30 <i>(in thousands of dollars unless otherwise indicated)</i>	2011	2010	2009	Change 2011/2010	Change 2010/2009
Earnings from continuing operations before income taxes	546,558	477,736	441,120	14.4%	8.3%
Income tax expense	111,493	114,970	125,223	-3.0%	-8.2%
<i>Effective tax rate</i>	20.4 %	24.1 %	28.4 %		
Earnings from discontinued operations, net of income taxes	—	—	1,308	N/A	-100.0%
Net earnings	435,065	362,766	317,205	19.9%	14.4%
<i>Margin</i>	10.1 %	9.7 %	8.3 %		
<i>Earnings attributable to shareholders of CGI Group Inc.</i>	434,809	362,386	316,466	20.0%	14.5%
<i>Earnings attributable to non-controlling interest</i>	256	380	739	-32.6%	-48.6%
Weighted average number of shares					
Class A subordinate shares and Class B shares <i>(basic)</i>	265,333,074	284,826,257	306,853,077	-6.8%	-7.2%
Class A subordinate shares and Class B shares <i>(diluted)</i>	275,286,534	292,919,950	310,345,241	-6.0%	-5.6%
Earnings per share (in dollars) ¹					
Basic EPS	1.64	1.27	1.03	29.1%	23.3%
Diluted EPS	1.58	1.24	1.02	27.4%	21.6%

¹ EPS amounts are attributable to shareholders of CGI.

3.8.1. Income Tax Expense

For fiscal 2011, income tax expense was \$111.5 million, a decrease of \$3.5 million compared to \$115.0 million in the prior fiscal year, while our effective income tax rate decreased from 24.1% to 20.4%. Favourable tax adjustments reduced our income taxes in both 2011 and 2010 in the amount of \$41.4 million and \$38.0 million respectively. These adjustments pertain to final determinations from agreements with tax authorities and expiration of statutes of limitation periods. The decrease in income tax expense and tax rate was also due to benefits arising from investments in our subsidiaries and the effect of foreign tax rate differences.

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 from agreements with tax authorities and expirations of statutes of limitation periods in the amount of \$38.0 million. This is compared to the \$15.9 million of favourable adjustments in fiscal 2009.

Table of Contents

Below is a table showing the year-over-year comparison with the favourable tax adjustments and the impact of acquisition-related and integration costs removed:

For the years ended September 30 (in thousands of dollars unless otherwise indicated)	2011	2010	2009	Change 2011/2010	Change 2010/2009
Earnings from continuing operations before income taxes	546,558	477,736	441,120	14.4%	8.3%
Add back:					
Acquisition-related and integration costs	3,675	20,883	—	-82.4%	N/A
Earnings from continuing operations before income taxes prior to adjustments	550,233	498,619	441,120	10.4%	13.0%
Income tax expense	111,493	114,970	125,223	-3.0%	-8.2%
Add back:					
Tax adjustments	41,415	37,964	15,850	9.1%	139.5%
Tax deduction on acquisition-related and integration costs	1,235	3,688	—	-66.5%	N/A
Income tax expense prior to adjustments	154,143	156,622	141,073	-1.6%	11.0%
Effective tax rate prior to adjustments	28.0 %	31.4 %	32.0 %		
Earnings from discontinued operations, net of income taxes	—	—	1,308	N/A	-100.0%
Net earnings prior to adjustments	396,090	341,997	301,355	15.8%	13.5%
Margin	9.2 %	9.2 %	7.9 %		
Earnings per share (in dollars) ¹					
Basic EPS	1.49	1.20	0.98	24.2%	22.4%
Diluted EPS	1.44	1.17	0.97	23.1%	20.6%

¹ EPS amounts are attributable to shareholders of CGI and prior to tax adjustments and acquisition-related and integration costs.

We expect our effective tax rate before any significant adjustments to be in the range of 27.0% to 30.0% in subsequent periods.

3.8.2. Earnings Attributable to Non-Controlling Interest

The non-controlling interest in our statement of earnings represents the percentage of ownership of CIA held by minority shareholders. On April 4, 2011, CGI concluded a transaction whereby CIA repurchased its shares held by CGI. Accordingly, starting in the third quarter of the current fiscal year, we no longer recorded earnings attributable to a non-controlling interest.

3.8.3. Earnings from Discontinued Operations

The earnings from discontinued operations recorded in fiscal 2009 were mainly due to the Company's disposition of the net assets of our claims adjusting and risk management services business in July 2008.

3.8.4. Weighted Average Number of Shares

CGI's basic and diluted weighted average number of shares for fiscal 2011 decreased compared to the prior year due to the repurchase of shares on the open market as part of the NCIB, partly offset by the issuance of Class A subordinate

Table of Contents

shares upon the exercise of stock options. During the current fiscal year, 16.4 million shares were repurchased and 5.7 million options were exercised.

4. LIQUIDITY

4.1. STATEMENTS OF CASH FLOWS

CGI's growth is financed through a combination of our cash flow from operations, borrowing under our existing credit facilities, the issuance of long-term debt, and the issuance of equity. One of our primary financial goals is to maintain an optimal level of liquidity through the active management of our assets and liabilities as well as our cash flows.

As at September 30, 2011, cash and cash equivalents, net of bank overdrafts, were \$82.2 million. The following table provides a summary of the generation and utilization of cash for the years ended September 30, 2011, 2010 and 2009.

For the years ended September 30 (in thousands of dollars)	2011	2010	2009	Change 2011/2010	Change 2010/2009
Cash provided by continuing operating activities	571,215	552,367	630,244	18,848	(77,877)
Cash used in continuing investing activities	(129,972)	(1,024,914)	(127,585)	894,942	(897,329)
Cash (used in) provided by continuing financing activities	(491,608)	267,311	(198,227)	(758,919)	465,538
Effect of foreign exchange rate changes on cash and cash equivalents and bank overdrafts from continuing operations	4,764	(10,367)	(11,300)	15,131	933
Net (decrease) increase in cash and cash equivalents net of bank overdraft from continuing operations	(45,601)	(215,603)	293,132	170,002	(508,735)

4.1.1. Cash Provided by Continuing Operating Activities

Cash provided by continuing operating activities was \$571.2 million in fiscal 2011, representing 13.2% of revenue. This is compared to \$552.4 million or 14.8% of revenue in the prior year. The improvement is due to the increase in our earnings partially offset by the increase in our DSO mainly related to an increasing proportion of our revenues coming from government entities. The timing of our working capital inflows and outflows will always have an impact on the cash flow from operations.

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 fiscal 2009. In fiscal 2009, 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 \$113.2 million year-over-year improvement. Our cash flow from operations would have increased by approximately \$35.3 million over the cash generated in fiscal 2009 when the benefit of the DSO improvement is removed. This improvement was primarily driven by the increase in our earnings in fiscal 2010.

4.1.2. Cash Used in Continuing Investing Activities

Cash used in continuing investing activities decreased by \$894.9 million in fiscal 2011 compared to fiscal 2010, which was almost entirely due to the acquisition of Stanley. In fiscal 2010, the Company acquired Stanley for a cash consideration of \$899.6 million, net of the cash acquired.

Table of Contents

Short-term investments, comprised of term deposits, have original maturities over three months, but not more than one year, at the date of purchase. In 2011, the Company had net cash inflows of \$2.0 million whereas in the prior year, \$12.9 million was disbursed for the purchase of investments.

Cash used for the purchase of capital assets amounted to \$65.3 million during the year, an increase of \$17.6 million over the \$47.7 million invested the previous fiscal year. The increase was due to a higher investment in additional computer equipment to support our new contracts and continued investment program as well as increase in leasehold improvements in certain offices in the U.S.

Cash used for the purchase of capital assets was \$47.7 million in fiscal 2010, a decrease of \$21.5 million from fiscal 2009'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 in 2010.

Investments in intangible assets amounted to \$56.0 million, representing a decrease of \$13.7 million from the previous fiscal year. The decrease is partially due to less contract costs capitalized as projects migrated out of their transition phase. In addition, lower levels of spending incurred on software licenses also contributed to the decrease.

Investments in intangible assets amounted to \$69.7 million in fiscal 2010, an increase of \$7.4 million from fiscal 2009. 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 Company purchased \$14.2 million in long-term marketable investments for the year ended September 30, 2011. No such investments were made in the prior fiscal years.

4.1.3. Cash (Used) Provided by Continuing Financing Activities

During the year ended September 30, 2011, we used \$491.6 million for financing activities, a change of \$758.9 million when compared to \$267.3 million provided by financing activities a year ago. The large difference is mostly due to the drawing on our credit facilities for the acquisition of Stanley in fiscal 2010.

In fiscal 2011, we repaid \$234.0 million of our long-term debt and credit facilities; whereas in fiscal 2010, 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. We also repaid portions of our long-term debt and credit facilities in the amount of \$207.9 million in fiscal 2010. In fiscal 2009, we drew \$144.7 million from our credit facilities.

In fiscal 2011, we used \$305.0 million to repurchase 16.4 million CGI shares under the current and previous NCIB. In fiscal 2010, we used \$516.7 million to repurchase 35.6 million CGI shares. Fewer shares were repurchased this year compared to the prior year as some funds were allocated for debt reduction. In fiscal 2009, we used \$101.7 million as 9.5 million CGI shares were bought back at a lower average share price.

The current fiscal year yielded \$52.1 million from the exercise of stock options compared to \$53.0 and \$16.1 million received in fiscal 2010 and 2009, respectively. Issuances of our shares have increased since fiscal 2010 due to more exercises as our share price became more favourable to option holders.

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.

Table of Contents

4.1.4. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents and Bank Overdrafts from Continuing Operations

For the year ended September 30, 2011, there was a \$4.8 million increase in cash from the effect of foreign exchange rate changes. For the years ended September 30, 2010 and 2009, foreign exchange changes caused a decrease of \$10.4 and \$11.3 million in cash and cash equivalents, respectively. These amounts had no effect on net earnings as they were recorded in other comprehensive income.

4.2. CAPITAL RESOURCES

<i>(in thousands of dollars)</i>	Total commitment	Available at September 30, 2011	Outstanding at September 30, 2011
	\$	\$	\$
Cash and cash equivalents	—	157,761	—
Bank overdraft	—	(75,538)	—
Short-term investments	—	10,166	—
Long-term marketable investments	—	15,309	—
Unsecured committed revolving facilities ¹	1,500,000	622,406	877,594 ²
Senior U.S. unsecured notes	493,478	493,478	—
Total	1,993,478	1,223,582	877,594 ²

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

² Consists of drawn portion of \$859.3 million and Letters of Credit for \$18.3 million.

Our cash position and bank lines are sufficient to support our growth strategy. At September 30, 2011, cash and cash equivalents, net of bank overdrafts, short-term and long-term marketable investments were \$107.7 million. The amount available under our credit facilities was \$622.4 million. The long-term debt agreements contain covenants which require us to maintain certain financial ratios. At September 30, 2011, CGI was in compliance with these covenants.

During the fourth quarter, the Company entered into a US\$475.0 million private debt placement financing with U.S. institutional investors. Please refer to the Private Debt Placement section 2.1.2 for more details. The Company intends to renew the unsecured committed revolving facilities before its maturity.

Cash equivalents typically include money market funds and term deposits as well as bankers' acceptances and bearer deposit notes issued by major banks, all with initial maturities of 90 days or less.

Short-term investments include fixed deposits, term deposits, municipal, provincial and government bills with initial maturities ranging from 91 days to 1 year.

Long-term marketable investments include corporate and government bonds with maturities ranging from one to five years, rated AA or higher.

Total long-term debt decreased by \$148.2 million to \$1,005.7 million at September 30, 2011, compared with \$1,153.9 million at September 30, 2010. The variation is mainly explained by the repayments of the second tranche of U.S. Senior unsecured notes for US\$87.0 million and unsecured committed revolving facilities for US\$105.0 million. In addition, the Company incurred various obligations repayable in blended monthly instalments for equipment and intangible assets totalling an amount of \$44.4 million. The remainder of the decrease is due to an unrealized loss of \$4.5 million on foreign exchange translation.

4.3. CONTRACTUAL OBLIGATIONS

We are committed under the terms of contractual obligations with various expiration dates, primarily for the rental of premises, computer equipment used in outsourcing contracts and long-term service agreements in the aggregate amount of \$1,919.8 million. Total contractual obligations decreased by \$270.0 million compared to fiscal 2010, primarily due to paying down our long-term debt and rent payments made in the normal course of our operations.

Table of Contents

Commitment type <i>(in thousands of dollars)</i>	Total	Less than 1 year	2nd and 3rd years	4th and 5th years	Years 6 to 10	After 10 years
Long-term debt	938,499	379,595	48,096	16,040	494,768	—
Capital lease obligations	67,182	22,939	31,696	12,013	534	—
Operating leases	—	—	—	—	—	—
Rental of office space ¹	773,157	109,729	191,841	164,123	263,713	43,751
Computer equipment	33,613	15,316	15,598	2,699	—	—
Automobiles	9,001	4,342	4,441	218	—	—
Long-term service agreements and other	98,391	48,547	44,644	5,200	—	—
Total contractual obligations	1,919,843	580,468	336,316	200,293	759,015	43,751

¹ Included in these obligations are \$25.3 million of office space leases from past acquisitions.

4.4. 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 other comprehensive income (loss).

The Company has the following outstanding hedging instruments:

Hedges on net investments in self-sustaining foreign subsidiaries

- US\$815.0 million debt designated as the hedging instrument to the Company's net investment in U.S. subsidiaries;
- €9.0 million debt designated as the hedging instrument to the Company's net investment in European subsidiaries.

Cash flow hedges on future revenue

- US\$76.7 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\$45.0 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;
- \$62.2 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\$20.0 million foreign currency forward contracts.

The effective portion of the change in the 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. During the year ended September 30, 2011, the Company's hedging instruments were effective.

The Company expects that approximately \$4.1 million of the accumulated net unrealized gains on derivative financial instruments designated as cash flow hedges at September 30, 2011 will be reclassified in net income in the next 12 months.

Table of Contents

4.5. SELECTED MEASURES OF LIQUIDITY AND CAPITAL RESOURCES

<u>As at September 30,</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net debt to capitalization ratio	26.8%	30.6%	n/a
Net debt (cash) <i>(in thousands of dollars)</i>	897,418	1,010,816	(66,034)
Return on equity	19.5%	16.4%	14.2%
Return on invested capital	14.1%	16.3%	14.0%
Days sales outstanding	53	47	39

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. In fiscal 2010, our long-term debt increased as US\$800.0 million was drawn against our credit facilities to fund the acquisition of Stanley. This caused the ratio to increase to 30.6%. During fiscal 2011, we paid down our debt, causing the ratio to decrease to 26.8% as at September 30, 2011.

Return on equity is a measure of the return we are generating for our shareholders. At September 30, 2011, ROE stood at 19.5% compared to 16.4% at the end of September 30, 2010. The main cause of the increase is due to the higher earnings as compared to the year ago period from all our segments, and to a lesser degree, lower acquisition-related and integration costs. Part of the increase in ROE is also due to the repurchase of CGI shares under the NCIB, and the impacts of the fluctuation of foreign exchange rates on the investment values of our international operations.

Return on invested capital was 14.1% as at September 30, 2011, a decrease compared to 16.3% a year ago. The ratio decreased due to an increase in our average invested capital balance due to the debt taken for the financing of the Stanley acquisition.

DSO increased to 53 days from 47 days last year. In calculating the DSO, we subtract the deferred revenue balance from trade accounts receivable and work in progress; for that reason, the timing of payments received from outsourcing clients in advance of the work to be performed and the timing of payments related to project milestones can affect the DSO fluctuations. Our DSO increased due to the addition of the Stanley operations as its main clientele are government entities as well as the impact from milestone based payments on some projects. At the end of the year, we exceeded our target of 45 days but remain committed to manage our DSO within this target based on past history.

4.6. OFF-BALANCE SHEET FINANCING AND GUARANTEES

We do not engage in the practice of off-balance sheet financing, except for the use of 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 some of the agreements specify a maximum potential exposure totalling approximately \$3.7 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

Table of Contents

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 amount of the bid bonds if we refuse to perform the project once the bid is awarded. We would also be liable for the performance bonds in the event of default in the performance of our obligations. As at September 30, 2011, we had committed for a total of \$43.2 million for these bonds. To the best of our knowledge, we complied with our performance obligations under all service contracts for which there was a performance or bid bond, and the ultimate liability, if any, incurred in connection with these guarantees would not have a material adverse effect on our consolidated results of operations or financial condition.

In addition, we provided a guarantee of \$5.9 million on the residual value of leased equipment, accounted for as an operating lease, at the expiration of the lease term.

4.7. CAPABILITY TO DELIVER RESULTS

Sufficient capital resources and liquidity are required for supporting ongoing business operations 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 procuring new large outsourcing and managed services contracts; investing in our business solutions; pursuing accretive acquisitions; buying back CGI shares and paying down debt. Funds were also used to expand our global delivery network as more and more of our clients demand lower cost alternatives. In terms of financing, we are well positioned to continue executing our four-pillar growth strategy in fiscal 2012.

Strong and experienced leadership is essential to successfully implement our corporate strategy. CGI has a strong leadership team with members who are highly knowledgeable and have gained a significant amount of experience within the IT industry via various career paths and leadership roles. CGI fosters leadership development to ensure a continuous flow of knowledge and strength is maintained throughout the organization. As part of our succession planning in key positions, we established the Leadership Institute, our own corporate university, to develop leadership, technical and managerial skills inspired by CGI's roots and traditions.

As a company built on human capital, our professionals and their knowledge are critical to delivering quality service to our clients. Our human resources program provides competitive compensation and benefits, a favourable working environment, and our training and career development programs combine to allow us to attract and retain the best talent. Employee satisfaction is monitored regularly through a company-wide survey and issues are addressed immediately. Approximately 83% of our employees, whom we refer to as members, are also owners of CGI through our Share Purchase Plan. This includes our members joining from Stanley, who effective January 1, 2011 were eligible to participate in the Share Purchase Plan. This, along with the Profit Participation Program, allows members to share in the success of the Company and aligns member objectives with our strategic goals.

In addition to our capital resources and the talent of our human capital, CGI has established a Management Foundation encompassing governance policies, sophisticated management frameworks and an organizational model for its business unit and corporate processes. This foundation, along with our appropriate internal systems, helps in providing for a consistent high standard of quality service to our clients. CGI's offices maintain appropriate certifications in accordance with service requirements such as the ISO and Capability Maturity Model Integration quality programs.

5. 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

Table of Contents

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:

<u>As at and for the years ended September 30</u> <i>(in thousands of dollars)</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenue	80,075	81,760	108,139
Accounts receivable	4,570	681	10,542
Work in progress	1,158	1,076	5,937
Contract costs	3,713	6,210	8,706
Deferred revenue	2,985	1,012	3,351

6. 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:

<u>As at and for the years ended September 30</u> <i>(in thousands of dollars)</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenue	98,578	91,015	101,964
Net earnings	13,359	11,418	13,412
Current assets	44,287	38,148	37,608
Non-current assets	2,309	2,992	2,998
Current liabilities	17,445	15,609	14,721
Non-current liabilities	994	933	445

7. FOURTH QUARTER RESULTS

As outlined in section 2.1.3., due to the increased mobility of our workforce and growth of our global delivery centres, a total charge of \$45.4 million was taken mainly comprised of provisions on excess real estate, related leasehold improvements and severance costs in the amount of \$33.7 million. In addition, through a review of the Company's business solution portfolio, an impairment charge of \$11.7 million was taken on solutions primarily for the financial services market. The following sections incorporate the impacts of the measures taken above.

Average foreign exchange rates

<u>For the three months ended September 30,</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>
U.S. dollar	0.9802	1.0391	-5.7%
Euro	1.3836	1.3441	2.9%
Indian rupee	0.0214	0.0224	-4.5%
British pound	1.5773	1.6117	-2.1%

[Table of Contents](#)

7.1. REVENUE VARIATION AND REVENUE BY SEGMENT

The following table provides a summary of our revenue growth, in total and by segment, separately showing the impacts of foreign currency variations between 2011 and 2010. The 2010 revenue by segment is recorded reflecting the actual foreign exchange rates for that year. The foreign exchange impact is the difference between the current period's actual results and the current period's results converted with prior year's foreign exchange rates.

For the three months ended September 30 <i>(in thousands of dollars except for percentage)</i>			
	2011	2010	Change
Total CGI Revenue	1,031,565	1,007,056	2.4%
Variation prior to foreign currency impact	5.3%	13.8%	
Foreign currency impact	-2.9%	-5.1%	
Variation over previous period	2.4%	8.7%	
Global Infrastructure Services			
Revenue prior to foreign currency impact	173,451	217,041	-20.1%
Foreign currency impact	(1,350)		
Global Infrastructure Services revenue	172,101	217,041	-20.7%
Canada			
Revenue prior to foreign currency impact	313,058	314,251	-0.4%
Foreign currency impact	(782)		
Canada revenue	312,276	314,251	-0.6%
U.S.			
Revenue prior to foreign currency impact	521,267	427,760	21.9%
Foreign currency impact	(28,256)		
U.S. revenue	493,011	427,760	15.3%
Europe			
Revenue prior to foreign currency impact	52,942	48,004	10.3%
Foreign currency impact	1,235		
Europe revenue	54,177	48,004	12.9%

For the fourth quarter of 2011, revenue increased by \$24.5 million or 2.4%. This is due predominantly to the acquisition of Stanley representing a full quarter of revenue in 2011 versus approximately six weeks in the same period of 2010, partially offset by the expiration of an outsourcing contract during the third quarter of fiscal 2011. Assuming a constant exchange rate between the Canadian dollar and the currencies of our foreign operations, our revenue grew by 5.3% as the weakened U.S. dollar had an unfavourable effect on our revenue, causing a 2.9% decrease. On a constant currency basis, the largest growth in our vertical markets was from government, due mostly to the new clients from the Stanley acquisition.

7.1.1. Global Infrastructure Services

Revenue for GIS was \$172.1 million in the fourth quarter of fiscal 2011, a decrease of \$44.9 million or 20.7% year-over-year. The decrease is due predominantly to an outsourcing contract in the financial services vertical market that expired in the third quarter of fiscal 2011. The decrease was partially offset by an increase in work volumes from the MRD vertical market.

Table of Contents

7.1.2. Canada

Revenue in Canada was \$312.3 million for the three months ended September 30, 2011, a decrease of \$2.0 million or 0.6% compared to the same period in the prior year. The decreases came from delays in project start-ups, the expiration of a low margin contract in the government vertical market, and the disposition of our ownership interest in CIA. These decreases were partially offset by an increase in work volumes from clients in our MRD and health vertical markets.

7.1.3. U.S.

For the three months ended September 30, 2011, revenue in the U.S. was \$493.0 million, an increase of \$65.3 million or 15.3% from the same period in the prior year. On a constant currency basis, revenue increased by \$93.5 million or 21.9% due to an unfavourable foreign exchange impact of \$28.3 million. Most of the increase in revenue is due to the Stanley acquisition; in the current quarter ended September 30, 2011, a full quarter of Stanley's revenue is included, whereas only six weeks of Stanley's revenue was included in the prior year. This increase was partially offset by the completion of projects for our clients in the financial services and government vertical markets while the start-up of new projects experienced delays.

7.1.4. Europe

In the fourth quarter of 2011, Europe revenue increased by \$6.2 million or 12.9% to \$54.2 million. Increases occurred across most of our geographic markets with particular growth from new and existing clients in the telecommunications & utilities vertical market.

7.2. ADJUSTED EBIT BY SEGMENT

For the three months ended September 30 <i>(in thousands of dollars except for percentage)</i>	2011	2010	Change
Global Infrastructure Services	10,277	31,400	-67.3%
<i>As a percentage of GIS revenue</i>	6.0 %	14.5 %	
Canada	46,830	57,871	-19.1%
<i>As a percentage of Canada revenue</i>	15.0 %	18.4 %	
U.S.	42,607	50,280	-15.3%
<i>As a percentage of U.S. revenue</i>	8.6 %	11.8 %	
Europe	3,058	250	1123.2%
<i>As a percentage of Europe revenue</i>	5.6 %	0.5 %	
Adjusted EBIT	102,772	139,801	-26.5%
<i>Adjusted EBIT margin</i>	10.0 %	13.9 %	

7.2.1. Global Infrastructure Services

Adjusted EBIT in GIS was \$10.3 million for the three months ended September 30, 2011, a decrease of \$21.1 million from the same period in the prior year. As a percentage of revenue, the margin decreased from 14.5% to 6.0%. The decrease is predominantly from the expiration of an outsourcing contract in the financial services vertical market, creating a

Table of Contents

temporary excess in capacity. In addition, the segment incurred expenses associated with excess real estate and severances of approximately \$6.2 million or \$5.3 million more than the same period a year ago.

7.2.2. Canada

Canada adjusted EBIT was \$46.8 million in the fourth quarter of 2011, a decrease of \$11.0 million or 19.1%. As a percentage of revenue, the margin decreased from 18.4% to 15.0%. The decrease was due to the revenue factors outlined above (see section 7.1.2.) and the expenses associated with the provisions taken for the excess real estate, leasehold improvements write-off and severances in the amount of \$18.4 million or \$12.1 million more than the same period a year ago. In addition, an impairment charge of \$9.6 million was taken on a business solution that was impacted by clients in the financial services vertical market deferring their investment decisions.

7.2.3. U.S.

U.S. adjusted EBIT was \$42.6 million, a decrease of \$7.7 million compared to the fourth quarter of 2010. As a percentage of revenue, the margin decreased from 11.8% to 8.6%. While growth in the government vertical market helped increase earnings, the impact of unassigned members from the delays in project start-ups for certain clients resulted in an overall decrease of earnings. The uncertainty reigning in the U.S. economy caused the pace of the federal government contract awards to slow down, thereby increasing costs and impacting our U.S. profitability. The acquisition of Stanley with its related amortization for client relationships along with its higher proportion of cost-plus contracts also contributed to the year-over-year margin fluctuation. In addition, the segment incurred charges associated with excess real estate, severances, leasehold improvements write-off and a business solution impairment of approximately \$9.6 million. This is \$8.4 million more than the amount for the same period a year ago.

7.2.4. Europe

Europe adjusted EBIT was \$3.1 million for the fourth quarter of 2011, an increase of \$2.8 million compared to the fourth quarter in the prior year. As a percentage of revenue, the margin increased from 0.5% to 5.6%. The increase is attributable to the revenue growth across all vertical markets partially offset by expenses associated with severances in the amount of \$1.6 million or \$0.6 million more than the same period last year.

[Table of Contents](#)

7.3. NET EARNINGS AND EARNINGS PER SHARE

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

For the three months ended September 30 <i>(in thousands of dollars unless otherwise indicated)</i>	2011	2010	Change
Adjusted EBIT	102,772	139,801	-26.5%
Acquisition-related and integration costs	—	16,655	-100.0%
Interest on long-term debt	4,132	5,206	-20.6%
Interest income	(692)	(649)	6.6%
Other expenses (income)	558	(1,432)	-139.0%
Gain on sale of capital assets	—	(73)	-100.0%
Earnings before income taxes	98,774	120,094	-17.8%
Income tax expense	25,681	36,018	-28.7%
<i>Effective tax rate</i>	26.0 %	30.0 %	
Net earnings	73,093	84,076	-13.1%
<i>Margin</i>	7.1 %	8.3 %	
<i>Earnings attributable to shareholders of CGI Group Inc.</i>	73,093	83,994	-13.0%
<i>Earnings attributable to non-controlling interest</i>	—	82	-100.0%
Weighted average number of shares			
Class A subordinate shares and Class B shares (<i>basic</i>)	261,897,680	274,524,411	-4.6%
Class A subordinate shares and Class B shares (<i>diluted</i>)	271,305,183	281,951,998	-3.8%
Earnings per share (in dollars) ¹			
Basic EPS	0.28	0.31	-9.7%
Diluted EPS	0.27	0.30	-10.0%

¹ EPS amounts are attributable to shareholders of CGI.

Net earnings were \$73.1 million for the quarter ended September 30, 2011 compared to \$84.1 million in the same period of the prior year. The adjusted EBIT decreased mainly due to the expenses incurred for the Performance Improvement Plan in the amount of \$45.4 million. This decrease was partially offset by lower acquisition-related and integration costs in the amount of \$16.7 million.

The decrease in weighted average number of shares is due to the buyback of shares under the current NCIB, partly offset by the issuance of Class A subordinate shares upon the exercise of stock options. During the current quarter, 3.3 million shares were repurchased and 1.0 million options were exercised.

Table of Contents

In the fourth quarter of fiscal 2011, the Company accelerated the on-going optimization of its cost structure and incurred a significant amount of charges. This in turn lowered our net earnings by 13.1% despite growth in revenue. As the charges taken in the current quarter are higher than normal, the \$45.4 million of provisions on excess real estate, related leasehold improvements write-off, severance costs, and impairment charges are added back to earnings in order to calculate a more meaningful net earnings and margin number. Similar types of charges are added back to the fourth quarter of fiscal 2010 to show a more meaningful comparison. Below is a table showing the year-over-year comparison with the favourable tax adjustments, the impact of acquisition-related and integration costs related to Stanley, the provisions on excess real estate, the related leasehold improvements write-off, the severance costs and the impairment charges removed:

For the three months ended September 30 <i>(in thousands of dollars unless otherwise indicated)</i>			
	2011	2010	Change
Earnings before income taxes	98,774	120,094	-17.8%
Add back:			
Acquisition-related and integration costs	—	16,655	-100.0%
Severances, excess real estate provisions, leasehold improvement write-offs and impairment charge	45,419	9,336	386.5%
Earnings from continuing operations before income taxes prior to adjustments	144,193	146,085	-1.3%
Income tax expense	25,681	36,018	-28.7%
Add back:			
Tax adjustments	—	2,500	-100.0%
Tax deduction on acquisition-related and integration costs, severances, excess real estate provisions and impairment charges	13,717	6,482	111.6%
Income tax expense prior to adjustments	39,398	45,000	-12.4%
Effective tax rate prior to adjustments	27.3 %	30.8 %	
Net earnings prior to adjustments	104,795	101,085	3.7%
Margin	10.2 %	10.0 %	
Earnings per share (in dollars) ¹			
Basic EPS	0.40	0.37	8.1%
Diluted EPS	0.39	0.36	8.3%

¹ EPS amounts are attributable to shareholders of CGI and prior to tax adjustments, acquisition-related and integration costs, severances, excess real estate provisions, leasehold improvement write-offs and impairment charges.

[Table of Contents](#)

8. SUMMARY OF QUARTERLY RESULTS

8.1. KEY PERFORMANCE MEASURES FOR THE PAST EIGHT QUARTERS

As at and for the three months ended (in thousands of dollars unless otherwise noted)	Sept. 30, 2011	June 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010	Dec. 31, 2009
Growth								
Backlog (in millions of dollars)	13,456	12,657	12,553	13,090	13,320	11,358	11,420	11,410
Bookings (in millions of dollars)	1,472	1,442	771	1,191	1,083	838	1,131	1,591
Book-to-bill ratio	143%	139%	68%	106%	108%	93%	124%	174%
Revenue	1,031,565	1,037,913	1,133,071	1,120,688	1,007,056	901,614	910,441	913,006
Year-over-year growth	2.4%	15.1%	24.5%	22.7%	8.7%	-5.1%	-4.0%	-8.7%
Constant currency growth	5.3%	18.0%	27.9%	25.9%	13.8%	0.7%	3.5%	-3.7%
Profitability								
Adjusted EBIT	102,772	144,342	156,290	158,549	139,801	128,702	123,963	119,436
Adjusted EBIT margin	10.0 %	13.9 %	13.8 %	14.1 %	13.9 %	14.3 %	13.6 %	13.1 %
Net earnings	73,093	118,438	116,961	126,574	84,076	85,880	81,591	111,219
Net earnings margin	7.1 %	11.4 %	10.3 %	11.3 %	8.3 %	9.5 %	9.0 %	12.2 %
Basic EPS (in dollars)	0.28	0.45	0.44	0.47	0.31	0.30	0.28	0.38
Diluted EPS (in dollars)	0.27	0.43	0.42	0.45	0.30	0.30	0.28	0.37
Liquidity								
Cash provided by operating activities	192,782	90,076	193,147	95,210	158,473	102,750	125,016	166,128
As a percentage of revenue	18.7 %	8.7 %	17.0 %	8.5 %	15.7 %	11.4 %	13.7 %	18.2 %
Days sales outstanding	53	52	43	42	47	36	35	30
Capital structure								
Net debt to capitalization ratio	26.8%	28.3%	28.7%	30.6%	30.6%	0.2%	n/a	n/a
Net debt (cash)	897,418	913,372	923,144	1,000,982	1,010,816	6,361	(35,280)	(73,049)
Return on equity	19.5%	20.3%	18.9%	17.2%	16.4%	16.1%	15.5%	15.2%
Return on invested capital	14.1%	15.8%	16.0%	15.7%	16.3%	16.9%	16.0%	15.4%
Balance sheet								
Cash, cash equivalents, bank overdraft and short-term investments	92,389	28,185	83,851	91,962	141,020	406,475	419,110	346,445
Total assets	4,685,543	4,428,075	4,561,671	4,536,492	4,607,191	3,813,138	3,872,980	3,785,231
Long-term financial liabilities	728,809	1,033,288	1,102,990	1,090,485	1,159,198	387,341	379,227	354,392

8.2. 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, outsourcing

Table of Contents

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

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.

9. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The audited, consolidated financial statements for the years ended September 30, 2011, 2010, and 2009 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.

9.1. CHANGES IN ACCOUNTING POLICIES

On October 1, 2010, the Company elected to early adopt the following accounting guidance:

- a) Emerging Issue Committee ("EIC") Abstract No. 175 ("EIC-175"), "Revenue Arrangements with Multiple Deliverables" issued by the CICA in December 2009 which amends the EIC Abstract No. 142 ("EIC-142"), "Revenue Arrangements with Multiple Deliverables". EIC-175 is equivalent to the U.S. GAAP standard, Accounting Standards Update ("ASU") No. 2009-13 ("ASU 2009-13"), "Multiple-Deliverable Revenue Arrangements" issued by the Financial Accounting Standards Board ("FASB") and applies to arrangements that include multiple-deliverables that are not accounted for pursuant to other specific guidance, such as Accounting Standards Codification ("ASC") Topic 985-605 ("ASC 985-605"), "Software – Revenue Recognition". The new guidance changes the requirements for establishing separate units of accounting in a multiple-deliverable arrangement and requires the allocation of total arrangement consideration to each separate unit of accounting based on their relative selling prices. Based on this method, the selling price of each separate unit of accounting is determined using vendor-specific objective evidence ("VSOE") of selling price if available, otherwise third-party evidence ("TPE") of selling price, or estimated selling price ("ESP") if neither VSOE nor TPE of selling price is available. The residual method of allocating arrangement consideration is no longer permitted. EIC-175 also expands the disclosure required for multiple-deliverable arrangements.
- b) ASU No. 2009-14 ("ASU 2009-14"), "Certain Revenue Arrangements that Include Software Elements" the U.S GAAP standard issued by the FASB which amends ASC 985-605. ASU 2009-14 modifies the scope of the software recognition guidance to exclude tangible products that contain both software and non-software deliverables that function together to deliver a product's essential functionality. There is no specific software revenue recognition guidance under Canadian GAAP, therefore the Company follows U.S. guidance.

The adoption of the above accounting guidance, which was applied prospectively to new revenue arrangements with multiple-deliverables entered into or materially modified on or after October 1, 2010, did not have any material impact on the Company's consolidated financial statements for the year ended September 30, 2011.

9.2. CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are described in Note 2 of the September 30, 2011 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

Table of Contents

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.

Areas impacted by estimates	Consolidated balance sheets	Consolidated statements of earnings			
		Revenue	Cost of services, selling and administrative	Amortization or impairment	Income taxes
Business combinations	✓			✓	
Income taxes	✓				✓
Contingencies and other liabilities	✓		✓		
Revenue recognition ¹	✓	✓			
Stock-based compensation	✓		✓		
Investment tax credits and government programs	✓		✓		
Impairment of long-lived assets and goodwill	✓			✓	

¹ Affects the balance sheet through accounts receivable, work in progress and deferred revenue.

Business combinations

The Company accounts for its business combinations using the acquisition method. Under this method, estimates we 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 net identifiable assets 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.

When establishing fair values, management will make significant estimates and assumptions, especially with respect to intangible assets. Intangible assets acquired and recorded by the Company may include client relationships and contracts, software licenses, trademarks and business solutions. Estimates include but are not limited to the forecasting of future cash flows and discount rates. From time to time, the Company may engage third-party firms to assist us in determining the fair value of assets and liabilities assumed. Management's estimates of fair values are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. As a result, actual results may differ from estimates impacting our earnings.

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.

Table of Contents

Contingencies and other liabilities

The Company accrues for costs and 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.

The Company accrues lease provisions which consist of estimated costs associated with vacated premises. The provisions reflect the present value of lease payments in excess of the expected sublease proceeds on the remaining term of the lease. Key assumptions include the discount rate and the estimate of potential revenues from the subleasing of vacated premises.

Revenue recognition

CGI provides services containing pricing mechanisms such as fixed-price arrangements under percentage-of-completion which requires estimates of revenue and costs over the entire term of the arrangement, including estimates of resources and costs necessary to complete performance.

Another assessment, related to a contract which involves the provision of multiple-service elements, is to determine how estimated contract revenue is allocated to each element based on fair values or selling prices. Revenue is then recognized for each element as for single-element contracts.

Revenue from system 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.

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. 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.

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

Table of Contents

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 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 business solutions and contract costs, the Company must estimate future revenue, costs and future cash inflows and outflows. The undiscounted estimated cash flows are projected over its remaining life and compared to the carrying amount.

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 four 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.

9.3. INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board confirmed that the use of IFRS would be required for Canadian publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. Accordingly, 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:

<u>PHASE</u>	<u>STATUS</u>	<u>DETAILS</u>
Phase 1 <i>Diagnostic</i>	Completed	- Completed a high-level review of the differences between current GAAP and IFRS, as well as a review of the alternatives available on adoption; and - Assessed these differences and their impact on the financial statements, business processes and/or IT systems in order to determine the scope of the project.

Table of Contents

<u>PHASE</u>	<u>STATUS</u>	<u>DETAILS</u>
Phase 2 <i>Detailed Impact Assessment</i>	Completed	- Completed a detailed impact assessment of differences between Canadian GAAP and IFRS; - Documented the rationale supporting initial accounting policy choices, new disclosure requirements, authoritative literature supporting these choices and the quantification of any impacts; and - Further assessed impacts on our other key elements such as information technology changes, education and training requirements, impacts on business activities, integrity of internal control over financial reporting and disclosure controls and procedures.
Phase 3 & 4 <i>Design & Implementation</i>	Completed	- Adjusted or redesigned the appropriate systems and business processes; - Updated and developed accounting policies, disclosure controls and procedures and internal controls over financial reporting; - Prepared our opening balance sheet; - Conducted an engagement with our external auditors addressing the opening financial position upon conversion; - Conducting an engagement with our external auditors addressing the parallel comparative year financial statements (fiscal 2011); - Continuing education and training in areas that will have the most significant impact on our operations; and - Monitoring the development of any new accounting standards and their impact on the choices and exemptions made by the Company to date.

We have a 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 being provided to the Audit and Risk Management Committee.

In order to establish IFRS financial reporting expertise at all levels, our Company 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 also provided our Board of Directors with a briefing in November 2010.

IFRS 1, “First-time Adoption of International Financial Reporting Standards”, 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 mandatory exceptions and optional exemptions are available. The significant optional exemptions that we expect to apply are described within the relevant notes below, along with the opening balance sheet impact.

Table of Contents

The Company has assessed the impact of IFRS on its opening balance sheet. Below is the preliminary opening balance sheet of the Company as at October 1, 2010 ("Transition Date"). The original published balance sheet prepared under Canadian GAAP is presented, followed by the IFRS adjustments in the next column which are further explained in the corresponding notes. The IFRS column is the balance sheet we expect to present in our first financial statements prepared under IFRS for the three-month period ending December 31, 2011 (first quarter of fiscal 2012). The opening consolidated IFRS balance sheet may differ significantly from this internal opening consolidated balance sheet due to changes in financial reporting requirements arising from new or revised standards issued by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee or other items identified through the first quarter of 2012.

Table of Contents

Based on our initial assessment, we do not believe there will be any significant additional differences on adoption of IFRS from Canadian GAAP.

PRELIMINARY OPENING CONSOLIDATED BALANCE SHEET

As at October 1, 2010

(in thousands of Canadian dollars)	Canadian GAAP	Adjustments (see notes below)		IFRS
	\$	\$		\$
Assets				
Current assets				
Cash and cash equivalents	127,824	R	(19,295)	108,529
Short-term investments	13,196		—	13,196
Accounts receivable	423,926	R, V	2,315	426,241
Work in progress	358,984	R	(1,318)	357,666
Prepaid expenses and other current assets	76,844	R	(7,646)	69,198
Income taxes	7,169		—	7,169
Future income taxes	16,509	U	(16,509)	—
Total current assets before funds held for clients	1,024,452		(42,453)	981,999
Funds held for clients	248,695		—	248,695
Total current assets	1,273,147		(42,453)	1,230,694
Property, plant and equipment	238,024	D, R	(1,392)	236,632
Contract costs	—	I, K, R, V	133,109	133,109
Intangible assets	516,754	H, K, R, V	(147,185)	369,569
Other long-term assets	42,261	R	(638)	41,623
Deferred tax assets	11,592	D, K, R, U	11,296	22,888
Investment in joint venture	—	C, R	22,814	22,814
Goodwill	2,525,413		—	2,525,413
	<u>4,607,191</u>		<u>(24,449)</u>	<u>4,582,742</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	304,376	L, R, T	(6,575)	297,801
Accrued compensation	191,486	R	(5,835)	185,651
Deferred revenue	145,793	R	(2,491)	143,302
Income taxes	86,877	R	(1,343)	85,534
Provisions	—	T	10,998	10,998
Future income taxes	26,423	U	(26,423)	—
Current portion of long-term debt	114,577		—	114,577
Total current liabilities before clients' funds obligations	869,532		(31,669)	837,863
Clients' funds obligations	248,695		—	248,695
Total current liabilities	1,118,227		(31,669)	1,086,558
Deferred tax liabilities	170,683	C, D, H, I, K, R, U	18,177	188,860
Long-term provisions	—	D, T	9,266	9,266
Long-term debt	1,039,299		—	1,039,299
Other long-term liabilities	119,899	C, K, R, T	(10,908)	108,991
	<u>2,448,108</u>		<u>(15,134)</u>	<u>2,432,974</u>
Equity				
Attributable to shareholders of CGI Group Inc.				
Retained earnings	1,196,386	B, C, D, H, I, J, K, L	(350,562)	845,824
Accumulated other comprehensive income (loss)	(321,746)	B	336,215	14,469
Capital stock	1,195,069		—	1,195,069
Contributed surplus	82,922	J, K	11,484	94,406
Attributable to shareholders of CGI Group Inc.	2,152,631		(2,863)	2,149,768
Attributable to non-controlling interest	6,452	L	(6,452)	—
	<u>2,159,083</u>		<u>(9,315)</u>	<u>2,149,768</u>
	<u>4,607,191</u>		<u>(24,449)</u>	<u>4,582,742</u>

Table of Contents

Initial elections upon IFRS adoption

Set forth below are the IFRS 1 optional exemptions applied in the conversion from Canadian GAAP to IFRS. Exemptions that were not elected, not applicable or not considered material to the Company are not included in the discussion.

A. Business combinations

IFRS 1 provides the option to apply IFRS 3, “Business Combinations” (as revised in 2008), retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company elected not to retrospectively apply IFRS 3. As a result, there is no adjustment in the opening balance sheet related to business combinations entered into prior to the Transition Date. IFRS 3 will be applied to business combinations entered into subsequently. Additionally, due to the Company’s election to apply IFRS 3 prospectively, International Accounting Standards (“IAS”) 27, “Consolidated and Separate Financial Statements”, will also be applied prospectively.

B. Currency translation differences

Retrospective application of IFRS would require the Company to determine cumulative foreign currency translation differences in accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates”, from the date a subsidiary was formed or acquired to the Transition Date. IFRS 1 permits cumulative foreign translation gains and losses to be reset to zero at the Transition Date. The Company elected to apply this exemption and as such reversed the balance of \$413.0 million within “net unrealized losses on translating financial statements of self-sustaining foreign operations” and \$76.8 million within “net unrealized gains on translating long-term debt designated as a hedge of net investments in self-sustaining foreign operations” included in accumulated other comprehensive loss. The net loss of \$336.2 million was recognized as a decrease to accumulated other comprehensive loss with a corresponding decrease to retained earnings.

C. Employee benefits

IFRS 1 provides the option to recognize all cumulative actuarial gains and losses deferred as a result of applying the corridor approach in accounting for defined benefit plans in retained earnings at Transition Date. The Company elected to apply this exemption. As a result, other long-term liabilities decreased by \$0.8 million. After a related increase to deferred income tax liabilities of \$0.2 million, retained earnings increased by \$0.6 million. Additionally, the Company’s joint venture, which is accounted for under the equity method as noted in section (R), applied the same exemption. As a result, the investment in the joint venture decreased by \$1.8 million with a corresponding decrease in retained earnings.

D. Decommissioning liabilities included in the cost of property, plant and equipment

IFRS 1 allows a first-time adopter to use a simplified treatment of historic changes when estimating the decommissioning liability between initial inception of the liability and the Transition Date. The Company elected to apply the method specified within IFRS 1 for valuing the decommissioning liability and as a result, property, plant and equipment decreased by \$0.7 million and long-term provisions increased by \$0.6 million. After a related decrease to deferred income tax liabilities of \$0.2 million and an increase to deferred income tax assets of \$0.2 million, retained earnings decreased by \$0.9 million.

E. Borrowing costs

IFRS 1 allows the Company to choose the effective date of IAS 23, “Borrowing Costs”. The Company elected to apply IAS 23 as of the Transition Date and as such will capitalize borrowing costs for qualifying assets for which construction commences on or after the Transition Date.

Table of Contents

Set forth below are the applicable mandatory exceptions in IFRS 1 applied in the conversion from Canadian GAAP to IFRS.

F. Hedge accounting

Hedge accounting can only be applied prospectively from the Transition Date to transactions that satisfy the hedge accounting criteria in IAS 39, "Financial Instruments: Recognition and Measurement", at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfy the hedge accounting criteria as of the Transition Date are reflected as hedges in the Company's results under IFRS. The application of this mandatory exception did not result in any adjustments upon IFRS conversion.

G. Estimates

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Set forth below are discussions of differences between IFRS and Canadian GAAP.

H. Reversal of intangible asset impairment

As opposed to current GAAP, impairments under IFRS are conducted in one step using discount rates that are asset specific. In addition, when determining future cash flows associated with 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 reversed. Under Canadian GAAP, the reversal of impairment losses is prohibited. Upon adoption of IFRS, the Company reversed an impairment recognized under Canadian GAAP as a result of changes in the expected cash flows relating to a business solution. As a result, intangible assets increased by \$0.8 million as of the Transition Date. After a related increase to deferred income tax liabilities of \$0.2 million, retained earnings increased by \$0.6 million.

I. Reversal of contract cost impairment

Under Canadian GAAP, contract costs consisting of transition costs and incentives are classified as intangible assets. Under IFRS, contract costs are recognized in accordance with IAS 11, "Construction Contracts" and no longer qualify as intangible assets. Upon adoption of IFRS, the Company reversed an impairment loss on a contract cost that was recognized under Canadian GAAP due to the fact that at the Transition Date the contract was profitable and, in accordance with IAS 11, did not require a provision for loss. As a result, contract costs increased by \$2.1 million as of the Transition Date. After a related increase to deferred income tax liabilities of \$0.8 million, retained earnings increased by \$1.3 million.

J. Share-based payment

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. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value, and each grant is accounted for on that basis. Currently, CGI accounts for the costs under the straight-line method for Canadian GAAP, but reconciles to the graded vesting method for U.S. GAAP purposes. Under IFRS 1, CGI has chosen to not apply IFRS retroactively on transition to vested options and will only retroactively apply IFRS to unvested options. As a result of the difference of accounting for each grant of graded share-based awards, contributed surplus increased by \$8.1 million as of the Transition Date with a corresponding decrease to retained earnings.

[Table of Contents](#)

K. Income taxes

Assets or liabilities acquired other than in a business combination

Under Canadian GAAP, the carrying amount of an asset or liability acquired other than in a business combination is adjusted for by the amount of the related recognized deferred tax asset or liability. Under IFRS, a deferred tax asset or liability cannot be recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and if at the time of the transaction neither accounting profit nor taxable profit is affected. As a result, the Company decreased deferred tax liabilities by \$3.4 million, intangible assets by \$2.9 million, contract costs by \$0.5 million and deferred tax assets by \$5.0 million with a corresponding decrease to other long-term liabilities of \$0.9 million and retained earnings of \$4.1 million.

Share-based payment

Under Canadian GAAP, a deferred tax asset is recognized on the difference between the accounting expense and the tax deduction relating to a share-based payment. Under IFRS, the deferred tax asset recognized in relation to the share-based payment is adjusted each period to reflect the amount of the tax deduction the Company would receive if the award were tax deductible in the current period based on the current market price of the shares. If the tax deduction or future tax deduction estimated exceeds the related cumulative share-based payment expense, the excess associated current and deferred tax is recognized in contributed surplus. As a result, deferred tax liabilities decreased by \$5.5 million and retained earnings increased by \$2.1 million while contributed surplus increased by \$3.4 million.

L. Commitment to purchase outstanding shares of non-controlling interest

As at April 4, 2011, this commitment to purchase the remaining shares of CIA no longer exists. However, IFRS requires the restatement of all comparative financial statements and therefore, the impact of IFRS will have to be assessed for the period before CGI sold its interest in CIA. Under Canadian GAAP, the value of the put and call option to purchase the remaining shares of CIA is disclosed as a commitment, but not recorded as a liability. Under IFRS, it must be recorded as a liability. As a result, accounts payable and accrued liabilities increased by \$10.4 million. The equity attributable to non-controlling interest of \$6.5 million was eliminated and retained earnings decreased by the remaining balance of \$3.9 million.

M. Property, plant and equipment

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 the Transition Date and annually thereafter if there are triggering events.

N. Leases

Unlike Canadian GAAP, 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 differences. 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. This difference does not result in a material difference in the value of our finance leases. An IFRS exposure draft on leases was issued in August 2010, which if adopted, would result in all leases as well as all expected payments being recognized on the balance sheet. This adoption could have a material impact to our balance sheet. It has recently been announced that a revised exposure draft will be issued at the beginning of calendar 2012.

[Table of Contents](#)

O. Consolidation

Uniform accounting policies and reporting periods are applied throughout the Company under current GAAP. Under IFRS, non-controlling interest is initially recognized at fair value as opposed to carrying value under current GAAP. In fiscal 2010, we elected for the early adoption of Sections 1601, “Consolidated Financial Statements” and 1602 “Non-Controlling Interests”, of the CICA Handbook which are similar to the corresponding provisions of IFRS standard, IAS 27, “Consolidated and Separate Financial Statements”.

P. Intangibles

Other than the adjustments noted in sections (I) and (V), IAS 38, “Intangible Assets”, is similar to CICA Handbook Section 3064, “Goodwill and Intangible Assets”, which was adopted by the Company during fiscal 2009.

Q. Government grants

IAS 20, “Accounting for Government Grants and Disclosure of Government Assistance”, permits the same accounting treatment as current GAAP for investment tax credits.

R. Joint ventures

Under Canadian GAAP, the Company accounts for its joint venture in Innovapost under the proportionate consolidation method. Under IAS 31, “Interests in Joint Ventures” (“IAS 31”), companies are allowed to account for any joint venture interest under either the proportionate consolidation or equity method. During the quarter ended June 30, 2011, IFRS 11, “Joint Arrangements” (“IFRS 11”), was issued and is effective for annual periods beginning January 1, 2013, with early adoption permitted. This new standard focuses on the rights and obligations of the arrangement rather than the legal form. Under the new standard, joint ventures must be accounted for using the equity method when the parties have rights to the net assets of the arrangement. Due to the fact that there is a choice available in the accounting method for a joint venture under IAS 31 and that the equity method will be required under IFRS 11, the Company has elected to account for its investment in Innovapost under the equity method as of the Transition Date.

In the MD&A for the quarter ended June 30, 2011, the preliminary opening consolidated balance sheet included the joint venture accounted for using the proportionate consolidation method. As a result of the subsequent decision to adopt the equity method, the effect of proportionate consolidation has been removed from the balance sheet and the joint venture has been accounted for as an equity investment as of the Transition Date as follows:

Table of Contents

	Adjustment for Joint Venture
<u>(in thousands of Canadian dollars)</u>	<u>\$</u>
Assets	
Current assets	
Cash and cash equivalents	(19,295)
Short-term investments	—
Accounts receivable	(9,527)
Work in progress	(1,318)
Prepaid expenses and other current assets	(7,646)
Income taxes	—
Future income taxes	—
Total current assets before funds held for clients	(37,786)
Funds held for clients	—
Total current assets	(37,786)
Property, plant and equipment	(669)
Contract costs	(478)
Intangible assets	(1,207)
Other long-term assets	(638)
Deferred tax assets	(362)
Investment in joint venture	24,598
Goodwill	—
	<u>(16,542)</u>
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	(5,940)
Accrued compensation	(5,835)
Deferred revenue	(2,491)
Income taxes	(1,343)
Provisions	—
Future income taxes	—
Current portion of long-term debt	—
Total current liabilities before clients' funds obligations	(15,609)
Clients' funds obligations	—
Total current liabilities	(15,609)
Deferred tax liabilities	(404)
Long-term provisions	—
Long-term debt	—
Other long-term liabilities	(529)
	<u>(16,542)</u>

Additionally, as a result of accounting for the investment under the equity method, the consolidated statement of earnings and consolidated statement of cash flows will be amended.

S. Revenue recognition

The revenue recognition guidance under IAS 11 as well as IAS 18, "Revenue", is not as specific as many standards under Canadian and U.S. GAAP. 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 differences upon conversion to IFRS using standards in place today.

Table of Contents

Under Canadian GAAP, the allocation of the consideration for arrangements that fall under ASC 985-605 is done based on VSOE of fair value. VSOE of fair value is established through internal evidence of prices charged for each revenue item when that item is sold separately. Under IFRS, the total arrangement value is allocated based on relative selling price. Relative selling price will maximize the use of observable inputs, or the Company's best estimate of selling price. In addition, under Canadian GAAP, the residual method can be used as an allocation method when there is objective and reliable evidence of the fair value(s) of the undelivered item(s) but no such evidence of the delivered item(s). Under IFRS, the residual method will no longer be an appropriate method and the allocation of the consideration needs to be done based on the relative selling price. With the adoption of EIC 175 on October 1, 2010, these differences do not exist for arrangements that fall under this new guidance.

Currently, under ASC 985-605, software arrangements for the sale of software licenses 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 (i.e., it has value to a client on a stand-alone basis).

Under IFRS, revenue from arrangements with extended payment terms can 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 for these arrangements are more restrictive and often revenue needs to be recognized on a cash basis.

Under IFRS, when payment from a client is due either significantly before or after the transfer of goods or services, the amount of revenue is adjusted to reflect the time value of money, if deemed material.

Canadian 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 recognized based on contractual prices within an acceptable threshold based on demonstrated fair values.

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

A revised exposure draft is expected to be issued by the IASB and the Financial Accounting Standards Board on revenue recognition by the end of calendar 2011. The standards are not expected to be in place until the Fall of 2012.

Presentation Reclassifications

T. Provisions

IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", requires a provision to be recognized when an entity has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. The thresholds for recognition of provisions are lower under IFRS than under Canadian GAAP.

Under Canadian GAAP, provision for decommissioning liabilities, onerous leases and legal claims were presented within accounts payable and accrued liabilities or other long-term liabilities. Under IFRS, provisions require separate line disclosure on the face of the balance sheet according to their short-term or long-term classification. As a result, an amount of \$11.0 million was reclassified from accounts payable and accrued liabilities into short-term provisions and an amount of \$8.7 million was reclassified from other long-term liabilities to long-term provisions.

Table of Contents
U. Tax reclassification

Under Canadian GAAP, deferred taxes are split between current and non-current components on the basis of either the underlying asset or liability or the expected reversal of items not related to an asset or liability. Under IFRS, all deferred tax assets are classified as non-current. As a result, the short-term portion of future income tax assets of \$16.5 million was reclassified to deferred income tax assets and the short-term portion of future income tax liabilities of \$26.4 million was reclassified to deferred income tax liabilities.

V. Contract costs

Under Canadian GAAP, contract costs consisting of transition costs and incentives are classified as intangible assets. Under IFRS, transition costs and incentives provided in the form of cash or equity instruments are presented separately as contract costs and incentives provided in the form of discounts are presented within accounts receivable. As a result, \$97.4 million of transition costs and \$34.6 million of incentives in the form of cash or equity instruments were reclassified from intangible assets to contract costs and \$11.8 million was reclassified from intangible assets to accounts receivable.

Presentation

The presentation section is addressed through individual IAS, most of which do not have significant differences from current GAAP. However, certain sections will require additional disclosure within the notes to the financial statements. Examples include property, plant and equipment, intangible assets, costs of services, selling and administrative expenses, income taxes, goodwill and provisions. In certain cases, there will be a shift of information between the notes and the face of the financial statements.

Under IFRS, it will be 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, "Operating Segments", we do not see any significant differences from our current presentation.

Further to the above assessment of the impact of transitioning to IFRS on the opening balance sheet and on certain presentation items, below is a summary of the expected impact on our internal control and information systems.

KEY ACTIVITIES**EXPECTED CHANGES****Information technology and data systems****No material system impact**

The Company did not identify any material system impact in our conversion to IFRS. The Company has completed dual-recordkeeping for the first three quarters of fiscal 2011 and is in the process of finalizing the fourth quarter of fiscal 2011. Effective October 1, 2011, only IFRS recordkeeping will be in use.

Internal controls over financial reporting**No impact**

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 was given to the effectiveness of controls during our transition year.

Table of Contents
KEY ACTIVITIES**Disclosure controls and procedures**

The Company designed appropriate procedures and controls to ensure additional information can be gathered and reported upon. Documentation was amended in all areas and processes were developed for the production and communication of asset or liability specific discount rates.

As communicated earlier, our financial statement note disclosures will be expanded. The working team also produced a draft of our first set of interim consolidated financial statements under IFRS. In these statements, additional annual disclosures that would have been presented in the September 30, 2011 consolidated financial statements if prepared under IFRS will be included. Information that is not considered material to the understanding of the Company's interim financial information will not be included.

Business processes**EXPECTED CHANGES****Implemented**

Over the past few months, training has been targeted to our employees based in the 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 have assessed the implications of IFRS on our debt covenants and did not encounter any impacts that would cause debt covenants to be breached.

Processes were developed to prepare budgets and strategic plans under IFRS for fiscal 2012. In addition, we have assessed the impacts on the Company's incentive programs.

10. 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

Table of Contents

September 30, 2011. 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, 2011. Please refer to page 33 of this MD&A for supplementary financial information about Innovapost.

11. RISK ENVIRONMENT

11.1. RISKS AND UNCERTAINTIES

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

11.1.1. Risks Related to the Market

Economic risk

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

11.1.2. Risks Related to our Industry

The competition for contracts

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

Table of Contents

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

[Table of Contents](#)

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.

11.1.3. Risks Related to our Business

Risks associated with our growth strategy

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

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

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

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

The variability of financial results

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

Business mix variations

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

The financial and operational risks inherent in worldwide operations

We manage operations in numerous countries around the world. The scope of our operations 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; 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.

Table of Contents

Taxes

In estimating our income tax payable, management uses accounting principles to determine income tax positions that are likely to be sustained by applicable tax authorities. However, there is no assurance that our tax benefits or tax liability will not materially differ from our estimates or expectations. The tax legislation, regulation and interpretation that apply to our operations are continually changing. In addition, future tax benefits and liabilities are dependent on factors that are inherently uncertain and subject to change, including future earnings, future tax rates, and anticipated business mix in the various jurisdictions in which we operate. Moreover, our tax returns are continually subject to review by applicable tax authorities; it is these tax authorities that will make the final determination of the actual amounts of taxes payable or receivable, of any future tax benefits or liabilities and of income tax expense that we may ultimately recognize. Any of the above factors could have a material adverse effect on our net income or cash flows by affecting our operations and profitability, the availability of tax credits, the cost of the services we provide, and the availability of deductions for operating losses as we develop our international service delivery capabilities.

Credit risk with respect to accounts receivable

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

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

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

Early termination risk

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

Table of Contents

Cost estimation risks

In order to generate acceptable margins, our pricing for services is dependent on our ability to accurately estimate the costs and timing for completing projects or long-term outsourcing contracts. In addition, a significant portion of our project-oriented contracts are performed on a fixed-price basis. Billing for fixed-price engagements is carried out in accordance with the contract terms agreed upon with our client, and revenue is recognized based on the percentage of effort incurred to date in relation to the total estimated costs to be incurred over the duration of the respective contract. These estimates reflect our best judgment regarding the efficiencies of our methodologies and professionals as we plan to apply them to the contracts in accordance with the CGI Client Partnership Management Framework (“CPMF”), a process framework which helps ensure that all contracts are managed according to the same high standards throughout the organization. If we fail to apply the CPMF correctly or if we are unsuccessful in accurately estimating the time or resources required to fulfil our obligations under a contract, or if unexpected factors, including those outside of our control, arise, there may be an impact on costs or the delivery schedule which could have an adverse impact on our expected profit margins.

Risks related to teaming agreements and subcontracts

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

Our partners' ability to deliver on their commitments

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

Guarantees risk

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

Risk related to human resources utilization rates

In order to maintain our profit margin, it is important that we maintain the appropriate availability of professional resources 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

Table of Contents

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. Although Canadian GAAP considers a national government and its agencies as a single client, our client base in the government economic sector is in fact diversified with contracts from many different departments and agencies in the U.S., Canada and Europe; nevertheless, 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.

Table of Contents

Information and infrastructure risks

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

Risk of harm to our reputation

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

Risks associated with the integration of new operations

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

Liquidity and funding risks

The Company's future growth is contingent on the execution of its business strategy, which, in turn, is dependent on its ability to grow the business organically as well as conclude 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.

[Table of Contents](#)

11.2. LEGAL PROCEEDINGS

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

CGI Group Inc. – Management's Discussion and Analysis for the Year Ended September 30, 2011

Page 62 of 62

[Table of Contents](#)

Consolidated Financial Statements of

CGI GROUP INC.

For the years ended September 30, 2011 and 2010

Table of Contents**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)

(signed)

Michael E. Roach

President and Chief Executive Officer
November 9, 2011

R. David Anderson

Executive Vice-President and Chief Financial Officer

CGI GROUP INC

2

[Table of Contents](#)

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 was one exclusion 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, 2011. 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.

As of the end of the Company's 2011 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, 2011, was effective.

The effectiveness of the Company's internal control over financial reporting as at September 30, 2011, has been audited by the Company's independent auditors, as stated in their report appearing on page 4.

(signed)

(signed)

Michael E. Roach
President and Chief Executive Officer
November 9, 2011

R. David Anderson
Executive Vice-President and Chief Financial Officer

CGI GROUP INC

3

[Table of Contents](#)

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, 2011, 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 2011 consolidated financial statements of the Company, and constituted approximately 1% of total assets as of September 30, 2011 and approximately 2% of revenue for the year then ended.

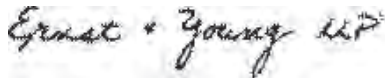
In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2011 based on the COSO criteria.

CGI GROUP INC

4

Table of Contents

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, 2011, and our report dated November 9, 2011 expressed an unqualified opinion thereon.



Ernst & Young LLP
Chartered Accountants

Montréal, Canada
November 9, 2011

1. Chartered accountant auditor permit No. 15859

CGI GROUP INC

5

[Table of Contents](#)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENTS

To the Board of Directors and Shareholders of CGI Group Inc.

We have audited the accompanying consolidated financial statements of CGI Group Inc. (the "Company"), which comprise the consolidated balance sheets as at September 30, 2011 and 2010, and the consolidated statements of earnings, comprehensive income, retained earnings and cash flows for each of the years in the two-year period ended September 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2011 and 2010, and the results of its operations and its cash flows for each of the years in the two-year period ended September 30, 2011 in accordance with Canadian generally accepted accounting principles.

CGI GROUP INC

6

Table of Contents

Emphasis of matter

As explained in note 2(a) to the consolidated financial statements, the Company adopted the requirements of the Emerging Issues Committee Abstract No. 175, *Revenue Arrangements with Multiple Deliverables* effective October 1, 2010. As explained in note 29, the Company also adopted the Accounting Standards Update No. 2009-13, *Multiple-Deliverable Revenue Arrangements* issued by Financial Accounting Standards Board and ASU No. 2009-14, *Certain Revenue Arrangements that Include Software Elements*, effective October 1, 2010.

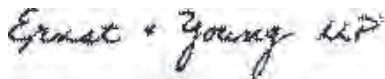
As explained in note 2(b) to the consolidated financial statements, in 2010 the Company adopted the requirements of the Canadian Institute of Chartered Accountants Handbook Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, Section 1602, *Non-Controlling Interests*, and amendments to Section 3862, *Financial Instruments-Disclosures*. As explained in note 29, in 2010 the Company adopted the requirements of the Financial Accounting Standards Board's ASC Topic 805, *Business Combinations*.

Other matter

The consolidated financial statements of the Company for the year ended September 30, 2009, were audited by other auditors whose report dated November 8, 2009, expressed an unqualified opinion on those statements, prior to the adjustments described in note 2(b), note 23, and note 29 to these financial statements that were applied to restate the 2009 financial statements.

We also audited the adjustments that were applied to restate the 2009 consolidated financial statements for the changes described in note 2(b), note 23, and note 29 to these financial statements. In our opinion such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2009 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2009 consolidated financial statements taken as a whole.

We have also 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, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 9, 2011 expressed an unqualified opinion on the Company's internal control over financial reporting.



Ernst & Young LLP
Chartered Accountants

Montréal, Canada
November 9, 2011

1. Chartered accountant auditor permit No. 15859

CGI GROUP INC

7

[Table of Contents](#)**REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS
To the Board of Directors and Shareholders of CGI Group Inc.**

We have audited, before the effects of the adjustments to retrospectively apply the change in accounting policies discussed in Note 2(b), Note 23 and Note 29 to the consolidated financial statements, the consolidated statements of earnings, comprehensive income, retained earnings and cash flows of CGI Group Inc. and subsidiaries (the “Company”) for the year ended September 30, 2009 (the 2009 consolidated financial statements before the effects of the adjustments discussed in Note 2(b), Note 23 and Note 29 to the consolidated financial statements are not presented herein). 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.

We conducted our audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). These standards require that we plan and perform the audit to obtain reasonable assurance about 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 provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements, before the effects of the adjustments to retrospectively apply the change in accounting policies discussed in Note 2(b), Note 23 and Note 29 to the consolidated financial statements, present fairly, in all material respects, the results of operations and cash flows of CGI Group Inc. and subsidiaries for the year ended September 30, 2009, in accordance with Canadian generally accepted accounting principles.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the change in accounting policy discussed in Note 2(b), Note 23 and Note 29 to the consolidated financial statements and, accordingly, we do not express an opinion or any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those retrospective adjustments were audited by other auditors.

(signed)¹

Deloitte & Touche LLP

Independent Registered Chartered Accountants

Montréal, Canada
November 8, 2009

¹ Chartered accountant auditor permit No. 17046

[Table of Contents](#)

Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended September 30 (in thousands of Canadian dollars, except share data)

	2011 \$	2010 \$	2009 \$
Revenue	4,323,237	3,732,117	3,825,161
Operating expenses			
Costs of services, selling and administrative (Note 18)	3,553,192	3,025,823	3,170,406
Amortization (Note 15)	211,372	195,308	195,761
Acquisition-related and integration costs (Note 19d)	3,675	20,883	—
Interest on long-term debt	19,395	17,123	18,960
Interest income	(3,759)	(2,419)	(2,908)
Other (income) expenses	(3,917)	(952)	3,569
Foreign exchange gain	(3,279)	(916)	(1,747)
Gain on sale of capital assets	—	(469)	—
	3,776,679	3,254,381	3,384,041
Earnings from continuing operations before income taxes	546,558	477,736	441,120
Income tax expense (Note 17)	111,493	114,970	125,223
Earnings from continuing operations	435,065	362,766	315,897
Earnings from discontinued operations, net of income taxes (Note 20)	—	—	1,308
Net earnings	435,065	362,766	317,205
Attributable to:			
Shareholders of CGI Group Inc.			
Earnings from continuing operations	434,809	362,386	315,158
Earnings from discontinued operations	—	—	1,308
Net earnings attributable to shareholders of CGI Group Inc.	434,809	362,386	316,466
Non-controlling interest			
Net earnings attributable to non-controlling interest	256	380	739
Net earnings	435,065	362,766	317,205
Basic earnings per share attributable to shareholders of CGI Group Inc.			
Continuing operations (Note 14)	1.64	1.27	1.03
Discontinued operations	—	—	—
	1.64	1.27	1.03
Diluted earnings per share attributable to shareholders of CGI Group Inc.			
Continuing operations (Note 14)	1.58	1.24	1.02
Discontinued operations	—	—	—
	1.58	1.24	1.02

See Notes to the consolidated financial statements.

[Table of Contents](#)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<u>Years ended September 30 (in thousands of Canadian dollars)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net earnings	435,065	362,766	317,205
Net unrealized gains (losses) on translating financial statements of self-sustaining foreign operations (net of income taxes)	11,716	(53,598)	6,249
Net unrealized (losses) gains on translating long-term debt designated as hedges of net investments in self-sustaining foreign operations (net of income taxes)	(4,695)	15,806	15,739
Net unrealized (losses) gains on cash flow hedges (net of income taxes)	(9,197)	2,036	13,446
Net unrealized gains on investments available for sale (net of income taxes)	2,352	—	—
Other comprehensive income (loss) (Note 16)	176	(35,756)	35,434
Comprehensive income	435,241	327,010	352,639
Attributable to:			
Shareholders of CGI Group Inc.	434,985	326,630	351,900
Non-controlling interest	256	380	739

See Notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

<u>Years ended September 30 (in thousands of Canadian dollars)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Retained earnings, beginning of year	1,196,386	1,182,237	921,380
Net earnings attributable to shareholders of CGI Group Inc.	434,809	362,386	316,466
Excess of purchase price over carrying value of Class A subordinate shares acquired (Note 12)	(225,019)	(347,940)	(55,609)
Change in subsidiary investment (Note 19b)	(811)	(297)	—
Retained earnings, end of year	1,405,365	1,196,386	1,182,237

See Notes to the consolidated financial statements.

CGI GROUP INC

10

Table of Contents

CONSOLIDATED BALANCE SHEETS

As at September 30 (in thousands of Canadian dollars)

	2011	2010
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (Note 3)	157,761	127,824
Short-term investments	10,166	13,196
Accounts receivable (Note 4)	494,755	423,926
Work in progress	400,203	358,984
Prepaid expenses and other current assets	104,170	76,844
Income taxes	4,252	7,169
Future income taxes (Note 17)	3,522	16,509
Total current assets before funds held for clients	1,174,829	1,024,452
Funds held for clients (Note 5)	247,622	248,695
Total current assets	1,422,451	1,273,147
Capital assets (Note 6)	251,668	238,024
Intangible assets (Note 7)	407,887	516,754
Other long-term assets (Note 8)	55,914	42,261
Future income taxes (Note 17)	11,601	11,592
Goodwill (Note 9)	2,536,022	2,525,413
	<u>4,685,543</u>	<u>4,607,191</u>
Liabilities		
Current liabilities		
Bank overdraft (Note 3)	75,538	—
Accounts payable and accrued liabilities	321,745	304,376
Accrued compensation	189,969	191,486
Deferred revenue	154,813	145,793
Income taxes	53,841	86,877
Future income taxes (Note 17)	20,389	26,423
Current portion of long-term debt (Note 11)	402,534	114,577
Total current liabilities before clients' funds obligations	1,218,829	869,532
Clients' funds obligations	244,660	248,695
Total current liabilities	1,463,489	1,118,227
Future income taxes (Note 17)	146,889	170,683
Long-term debt (Note 11)	603,147	1,039,299
Other long-term liabilities (Note 10)	125,662	119,899
	<u>2,339,187</u>	<u>2,448,108</u>
Commitments, contingencies and guarantees (Note 26)		
Shareholders' equity		
Retained earnings	1,405,365	1,196,386
Accumulated other comprehensive loss (Note 16)	(321,570)	(321,746)
	1,083,795	874,640
Capital stock (Note 12)	1,178,559	1,195,069
Contributed surplus (Note 13c)	84,002	82,922
Equity attributable to shareholders of CGI Group Inc.	2,346,356	2,152,631
Equity attributable to non-controlling interest	—	6,452
	<u>2,346,356</u>	<u>2,159,083</u>
	<u>4,685,543</u>	<u>4,607,191</u>

See Notes to the consolidated financial statements.

Approved by the Board

(signed)

Michael E. Roach
Director

(signed)

Serge Godin
Director

CGI GROUP INC

11

[Table of Contents](#)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30 (in thousands of Canadian dollars)	2011 \$	2010 \$	2009 \$
Operating activities			
Earnings from continuing operations	435,065	362,766	315,897
Adjustments for:			
Amortization (Note 15)	229,925	219,740	218,087
Future income taxes (Note 17)	(15,886)	(21,417)	29,300
Foreign exchange (gain) loss	(950)	(828)	723
Stock-based compensation	15,421	15,517	8,617
Gain on sale of capital assets	—	(469)	—
Net change in non-cash working capital items (Note 22a)	(92,360)	(22,942)	57,620
Cash provided by continuing operating activities	571,215	552,367	630,244
Investing activities			
Net change in short-term investments	1,984	(12,940)	—
Business acquisitions (net of cash acquired)	(618)	(899,564)	(997)
Proceeds from sale of assets and businesses (net of cash disposed)	4,104	4,100	4,991
Purchase of capital assets	(65,255)	(47,684)	(69,212)
Proceeds from disposal of capital assets	—	896	—
Additions to intangible assets	(55,983)	(69,722)	(62,367)
Purchase of long-term investments	(14,204)	—	—
Cash used in continuing investing activities	(129,972)	(1,024,914)	(127,585)
Financing activities			
Net change in credit facilities	(104,278)	856,710	(12,811)
Repayment of long-term debt	(129,741)	(125,168)	(117,752)
Proceeds on settlement of forward contracts (Note 11)	(1,275)	—	18,318
Purchase of Class A subordinate shares held in trust (Note 12)	(2,566)	—	—
Repurchase of Class A subordinate shares (including share repurchase costs) (Note 12)	(305,028)	(516,699)	(101,698)
Issuance of shares	52,091	53,039	16,141
Change in subsidiary investment (Note 19b)	(811)	(571)	(425)
Cash (used in) provided by continuing financing activities	(491,608)	267,311	(198,227)
Effect of foreign exchange rate changes on cash and cash equivalents and bank overdraft from continuing operations	4,764	(10,367)	(11,300)
Net (decrease) increase in cash and cash equivalents net of bank overdraft from continuing operations	(45,601)	(215,603)	293,132
Cash and cash equivalents net of bank overdraft provided by discontinued operations (Note 20)	—	—	161
Cash and cash equivalents net of bank overdraft, beginning of year	127,824	343,427	50,134
Cash and cash equivalents net of bank overdraft, end of year (Note 3)	82,223	127,824	343,427

Supplementary cash flow information (Note 22)

See Notes to the consolidated financial statements.

CGI GROUP INC

12

Table of Contents

Note 1 Description of business

CGI Group Inc. (the “Company”), directly or through its subsidiaries, manages information technology services (“IT services”) as well as business process services (“BPS”) to help clients effectively realize their strategies and create added value. The Company’s services include management of IT and business processes (“outsourcing”), systems integration and consulting including sale of software licenses.

Note 2 Summary of significant accounting policies

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”), which differ in certain material respects from United States generally accepted accounting principles (U.S. GAAP). A reconciliation between Canadian GAAP and U.S. GAAP can be found in Note 29. Certain comparative figures have been reclassified in order to conform to the presentation adopted in 2011.

CHANGES IN ACCOUNTING POLICIES

a) Revenue recognition

On October 1, 2010, the Company elected to early adopt the following accounting guidance:

- i) Emerging Issue Committee (“EIC”) Abstract No. 175 (“EIC-175”), “Revenue Arrangements with Multiple Deliverables” issued by the Canadian Institute of Chartered Accountants (“CICA”) in December 2009 which amends the EIC Abstract No. 142, “Revenue Arrangements with Multiple Deliverables”. EIC-175 is equivalent to the U.S. GAAP standard, Accounting Standards Update (“ASU”) No. 2009-13 (“ASU 2009-13”), “Multiple-Deliverable Revenue Arrangements” issued by Financial Accounting Standards Board (“FASB”) and applies to arrangements that include multiple-deliverables that are not accounted for pursuant to other specific guidance, such as Accounting Standards Codification (“ASC”) Topic 985-605 (“ASC 985-605”), “Software – Revenue Recognition”. The new guidance changes the requirements for establishing separate units of accounting in a multiple-deliverable arrangement and requires the allocation of total arrangement consideration to each separate unit of accounting based on their relative selling prices. Based on this method, the selling price of each separate unit of accounting is determined using vendor-specific objective evidence (“VSOE”) of selling price, if available; otherwise third-party evidence (“TPE”) of selling price or best estimate of selling price (“ESP”) if neither VSOE nor TPE of selling price is available. The residual method of allocating arrangement consideration is no longer permitted. EIC-175 also expands the disclosure required for multiple-deliverable arrangements.
- ii) ASU No. 2009-14 (“ASU 2009-14”), “Certain Revenue Arrangements that Include Software Elements”, the U.S. GAAP standard issued by the FASB which amends ASC 985-605. ASU 2009-14 modifies the scope of the software recognition guidance to exclude tangible products that contain both software and non-software deliverables that function together to deliver a product’s essential functionality. There is no specific software revenue recognition guidance under Canadian GAAP, therefore the Company follows U.S. guidance.

The adoption of the above accounting guidance, which was applied prospectively to new revenue arrangements with multiple-deliverables entered into or materially modified on or after October 1, 2010, did not have any material impact on the Company’s consolidated financial statements. There were no significant changes to the Company’s units of accounting within its multiple-deliverable arrangements, how the Company allocates the total arrangement consideration and the pattern or timing of revenue recognition as a result of the adoption of this accounting guidance.

[Table of Contents](#)

Note 2 Summary of significant accounting policies (continued)

b) Business combinations

On October 1, 2009, the Company elected to early adopt the following Handbook Sections issued by the CICA:

- i) Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The Section establishes standards for the accounting for a business combination. 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.
- ii) 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. 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 (starting October 1, 2009), with the exception of the presentation requirements for non-controlling interest, which must be applied retrospectively and was reflected in the 2010 consolidated financial statements.

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 price allocation of business combinations, income taxes, contingencies and other liabilities, revenue recognition, stock based compensation, investment tax credits and government programs, the impairment of long-lived assets and goodwill.

[Table of Contents](#)

Note 2 Summary of significant accounting policies (continued)

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 as described in Note 1.

The Company provides services and products under arrangements that contain various pricing mechanisms. The Company recognizes revenue when the following basic recognition criteria are met: 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.

Some of the Company's arrangements may include client acceptance clauses. Each clause is analyzed to determine whether the earnings process is complete when the service is performed. Formal client sign-off is not always necessary to recognize revenue, provided that the Company objectively demonstrates that the criteria specified in the acceptance provisions are satisfied. Some of the criteria reviewed include historical experience with similar types of arrangements, whether the acceptance provisions are specific to the client or are included in all arrangements, the length of the acceptance term and historical experience with the specific client.

Revenue from benefits-funded arrangements is recognized only to the extent 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.

Revenue from sales of third party vendor products, such as software licenses, or services is recorded gross when the Company is a principal to the transaction and is recorded net of costs when the Company is acting as an agent between the client and vendor. Factors generally considered to determine whether the Company is a principal or an agent are if the Company is the primary obligor to the client, if it adds meaningful value to the vendor's product or service or if it assumes delivery and credit risks.

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.

Multiple-deliverable arrangements

The Company enters into multiple-deliverable arrangements, which may include a combination of IT services and BPS. The guidance below is applied to determine how to separate multiple-deliverable arrangements into separate units of accounting and to allocate the total arrangement consideration among those separate units of accounting.

a) Non-software deliverables

Arrangements entered into or materially modified on or after October 1, 2010 are subject to EIC-175 adopted by the Company at the beginning of fiscal year 2011 as described in "Changes in Accounting Policies". Under the new guidance, the total arrangement consideration is allocated to each separate unit of accounting if: 1) the delivered item has value to the client on a stand-alone basis; and 2) 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, the total arrangement consideration is allocated among the separate units of accounting based on their relative selling prices. Based on this method, the selling price of each separate unit of accounting is determined using VSOE of selling price if available, otherwise TPE of selling price or ESP if neither VSOE nor TPE of selling price is available. VSOE of selling

Table of Contents**Note 2 Summary of significant accounting policies (continued)**

price is established using the price charged for a deliverable when sold separately by the Company. TPE of selling price is established using the vendor's or competitors' prices for similar deliverables. ESP is the price at which the Company would offer the service if the deliverable were sold regularly on a stand-alone basis. ESP is established by considering a number of internal and external factors including, but not limited to, geographies, the Company's pricing policies, internal costs and gross margins.

For arrangements that were in place as of, and were not materially modified after, September 30, 2010, the previous guidance remains effective. Under the previous guidance, if an arrangement involved the provision of multiple-deliverables, the total arrangement value was allocated to each separate units of accounting when: 1) the delivered item had value to the client on a stand-alone basis; 2) there was 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 was considered probable and substantially in the control of the Company. If these criteria were met, then the total arrangement consideration was allocated among the separate units of accounting based on their relative fair values. Fair value was established based on VSOE or TPE of fair value as described above. In the absence of the fair value for the delivered item, the residual method was allowed to allocate the arrangement consideration. Under the residual method, the amount of revenue allocated to the delivered items was the total arrangement consideration less the aggregate VSOE or TPE of fair value of any undelivered items.

b) Software deliverables

The arrangements involving software deliverables may include more than one software deliverable, such as the sale of software licenses, the provision of systems integration and consulting services related to software licenses and the provision of post-contract customer support. The total arrangement consideration is allocated to each separate unit of accounting if: 1) the undelivered items are not essential to the functionality of a delivered item; and 2) there is objective and reliable evidence of the fair value of the undelivered items. If these criteria are met, the total arrangement consideration is allocated among the separate units of accounting based on their relative fair values or residual method if fair value for all undelivered items is available, but not for the delivered item. Fair value is established based on VSOE of fair value as described above.

c) Both software and non-software deliverables

In arrangements that include a combination of software and non-software deliverables, the Company first allocates the total arrangement consideration to the software group of deliverables as a whole and to each of the non-software deliverables based on their relative selling prices. The Company then further allocates consideration within the software group to the respective deliverables within that group following the guidance described in "b) Software deliverables".

Most of the deliverables within the Company's multiple-deliverable arrangements qualify as separate units of accounting. A deliverable that does not qualify as a separate unit of accounting is combined into one unit of accounting and the appropriate revenue recognition method is applied.

Once the Company has determined the separate units of accounting within an arrangement and the allocation of total arrangement consideration to each separate unit of accounting, revenue is recognized as described below.

Table of Contents**Note 2 Summary of significant accounting policies (continued)****Outsourcing**

Revenue from outsourcing arrangements under time and materials and unit-priced arrangements are generally 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 arrangement or based on the contractually stated price.

Revenue from outsourcing 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 arrangements involving software deliverables 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 labour costs or labour hours to measure the progress towards completion. This method relies on estimates of total expected labour costs or total expected labour hours to complete the service, which are compared to labour costs or labour hours incurred to date, to arrive at an estimate of the percentage of revenue earned to date. Management regularly reviews underlying estimates of total expected labour costs or hours. Revisions to estimates are reflected in the consolidated statement of earnings in the period in which the facts that gave rise to the revision become known.

Software licenses and post-contract customer support

Revenue from software licenses is recognized upon delivery when the software licenses qualify as a separate unit of accounting and the basic recognition criteria are met.

Revenue from post-contract customer support services for software licenses sold and implemented is recognized ratably over the term of the arrangement.

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.

[Table of Contents](#)

Note 2 Summary of significant accounting policies (continued)

FUNDS HELD FOR CLIENTS AND CLIENTS' FUNDS OBLIGATIONS

In connection with the Company's payroll, tax filing and claims services, the Company collects funds for payment of payroll, taxes and claims, temporarily holds such funds until payment is due, remits the funds to the clients' employees, appropriate tax authorities or claim holders, files federal and local tax returns, and handles related regulatory correspondence and amendments. The funds held for clients' includes short-term and long-term bonds, and cash. The Company presents the funds held for clients and related obligations separately. Funds held for clients are classified as current assets since, based upon management's intentions, these funds are held solely for the purpose of satisfying the clients' funds obligations, which will be repaid within one year of the balance sheet date.

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 outsourcing 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. 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 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 outsourcing contracts are expensed as incurred except where it is virtually certain that the contracts will be awarded and the costs are directly related to the acquisition of the contract. Eligible pre-contract costs are recorded at cost and amortized using the straight-line method over the expected term of the respective contracts.

[Table of Contents](#)

Note 2 Summary of significant accounting policies (continued)

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 are capitalized when they meet specific capitalization criteria related to technical, market and financial feasibility. Business solutions, software licenses and client relationships acquired through business combinations are initially recorded at their fair value based on the present value of expected future cash flows.

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 compensation plan assets, long-term investments, forward contracts, long-term maintenance agreements, investments in direct financing leases and deferred financing fees. Long-term investments, comprised of bonds, are classified as long-term based on management's intentions.

BUSINESS COMBINATIONS AND GOODWILL

The Company accounts for its business combinations using the acquisition method. Under this method the cost of an acquisition is measured as the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree. Acquisition-related and integration costs associated with the business combination are expensed as incurred. The Company recognizes goodwill as of the acquisition date as the excess of the cost of the acquisition over the net identifiable assets acquired and liabilities assumed at their acquisition-date fair values. Subsequent changes in fair values are adjusted against the cost of acquisition when they qualify as measurement period adjustments. All other subsequent changes are recognized in net earnings.

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

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.

[Table of Contents](#)**Note 2 Summary of significant accounting policies (continued)****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 and performance share units ("PSUs").

RESEARCH AND SOFTWARE DEVELOPMENT COSTS

Research costs are charged to earnings in the period in which they are incurred, net of related tax credits. Software development costs are charged to earnings in the year they are incurred, net of related tax credits, unless they meet specific capitalization criteria related to technical, market and financial feasibility.

TAX CREDITS

The Company follows the 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 statement 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.

[Table of Contents](#)**Note 2 Summary of significant accounting policies (continued)****STOCK-BASED COMPENSATION**

The Company uses the fair value based method to account for stock options and PSUs awarded under their respective plans. The fair value of stock options and PSUs 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 and PSUs 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 stock option is removed from contributed surplus and credited to capital stock. When PSUs are exercised, the recorded fair value of PSUs is removed from contributed surplus and credited to capital stock.

FINANCIAL INSTRUMENTS

All financial assets designated as held-to-maturity or loans and receivables, as well as financial liabilities designated as other liabilities, are initially measured at their fair values and subsequently at their amortized cost using the effective interest rate method. All financial assets and liabilities designated as held for trading are measured at their fair values and gains and losses related to periodic revaluations are recorded in the consolidated statement of earnings. All financial assets designated as available for sale are measured at their fair value and any unrealized gains and losses, net of applicable income taxes, are reported in other comprehensive income (loss) in the consolidated statement of comprehensive income. Interest income earned and realized gains and losses on the sale of available for sale assets are recorded in the consolidated statement of earnings.

Transaction costs are comprised primarily of legal, accounting and other costs directly attributable to the issuance of the respective financial assets and liabilities. Transaction costs are capitalized to the cost of financial assets and liabilities classified as other than held for trading.

The Company has categorized its financial instruments as follows:

Held for trading

Cash and cash equivalents, short-term investments (other than those included in funds held for clients), derivatives (unless they qualify for hedge accounting, refer to "Hedging Transactions") and bank overdraft are classified as held for trading. Deferred compensation plan assets were designated as held for trading upon initial recognition as this reflects management's intentions.

Loans and receivables

Trade accounts receivable, work in progress, and cash included in funds held for clients.

Available for sale

Short-term and long-term bonds included in funds held for clients and long-term investments.

Other liabilities

Accounts payable and accrued liabilities, accrued compensation, long-term debt, excluding obligations under capital leases, and clients' funds obligations.

[Table of Contents](#)

Note 2 Summary of significant accounting policies (continued)

Fair value hierarchy

Fair value measurements recognized in the balance sheet are categorized in accordance with the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 but that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

All financial assets and liabilities measured at fair value are categorized in Level 1, except for derivatives, investments included in funds held for clients, and long-term investments which are categorized in Level 2.

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.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges on Senior U.S. unsecured notes

The Company has 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 instruments' fair value is excluded from the assessment and measurement of hedge effectiveness. The hedges are considered to be highly effective as the terms of the forward contracts coincide with the intended repayment of the remaining tranche of the debt.

The forward contracts are derivative instruments and, therefore, are recorded at fair value in the consolidated balance sheet under 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 to 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. The cash flows of the hedging transactions are classified in the same manner as the cash flows of the position being hedged.

[Table of Contents](#)
Note 2 Summary of significant accounting policies (continued)**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

The Company has also 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, to hedge the variability in the foreign currency exchange rate between the U.S. dollar and the Canadian dollar on future U.S. revenue and to hedge the variability in foreign currency exchange rate between the Indian rupee and the Canadian dollar on the future Canadian revenue.

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 in the consolidated 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 the consolidated statement of 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. The cash flows of the hedging transactions are classified in the same manner as the cash flows of the position being hedged.

FUTURE CHANGES TO AUTHORITATIVE ACCOUNTING PRONOUNCEMENTS

In February 2008, the Canadian Accounting Standards Board confirmed that the use of the IFRS would be required for Canadian publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. Accordingly, the Company's first quarter under the IFRS reporting standards will begin on October 1, 2011. For more details on the transition to IFRS, refer to the IFRS section of the MD&A for the year ended September 30, 2011.

Note 3 Cash and cash equivalents and bank overdraft

	<u>2011</u>	<u>2010</u>
	\$	\$
Cash	100,071	27,162
Cash equivalents	57,690	100,662
Cash and cash equivalents	<u>157,761</u>	<u>127,824</u>
Bank overdraft ¹	<u>(75,538)</u>	<u>—</u>
	<u>82,223</u>	<u>127,824</u>

¹ As at September 30, 2011, the Company has a bank overdraft that is an integral part of the Company's cash management activities. The overdraft bears interest at the banks' weighted average prime rate of 3.12%, and is unsecured and uncommitted.

[Table of Contents](#)

Note 4 Accounts receivable

	<u>2011</u>	<u>2010</u>
	\$	\$
Trade	395,468	349,349
Other ¹	99,287	74,577
	<u>494,755</u>	<u>423,926</u>

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 \$76,978,000 and \$55,758,000 of other accounts receivable in 2011 and 2010, 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, 2011, the balance outstanding for financial commitments for these real estate locations was \$310,076,000 ranging between 1 year and 11 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 Funds held for clients

	<u>2011</u>	<u>2010</u>
	\$	\$
Cash	67,140	248,695
Short-term bonds	10,070	—
Long-term bonds	170,412	—
	<u>247,622</u>	<u>248,695</u>

Note 6 Capital assets

	<u>2011</u>			<u>2010</u>		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$
Land and buildings	14,773	4,047	10,726	17,309	4,461	12,848
Leasehold improvements	129,329	68,008	61,321	142,297	76,381	65,916
Furniture, fixtures and equipment	91,011	33,435	57,576	75,990	30,605	45,385
Computer equipment	289,441	167,396	122,045	256,985	143,110	113,875
	<u>524,554</u>	<u>272,886</u>	<u>251,668</u>	<u>492,581</u>	<u>254,557</u>	<u>238,024</u>

Capital assets include assets acquired under capital leases totalling \$58,267,000 (\$57,101,000 in 2010), net of accumulated amortization of \$44,143,000 (\$35,533,000 in 2010).

[Table of Contents](#)
Note 7 Intangible assets

	<u>Cost</u>	<u>Accumulated</u>	<u>2011</u>
	<u>\$</u>	<u>amortization</u>	<u>Net book</u>
	<u>\$</u>	<u>\$</u>	<u>value</u>
Intangible assets			
Contract costs			
Incentives	133,470	98,855	34,615
Transition costs	181,542	102,795	78,747
	<u>315,012</u>	<u>201,650</u>	<u>113,362</u>
Other intangible assets			
Internal-use software	94,342	73,871	20,471
Business solutions	265,571	180,210	85,361
Software licenses	163,595	120,296	43,299
Client relationships and other	402,721	257,327	145,394
	<u>926,229</u>	<u>631,704</u>	<u>294,525</u>
	<u>1,241,241</u>	<u>833,354</u>	<u>407,887</u>
	<u>Cost</u>	<u>Accumulated</u>	<u>2010</u>
	<u>\$</u>	<u>amortization</u>	<u>Net book</u>
	<u>\$</u>	<u>\$</u>	<u>value</u>
Intangible assets			
Contract costs			
Incentives	236,750	190,294	46,456
Transition costs	200,154	102,734	97,420
	<u>436,904</u>	<u>293,028</u>	<u>143,876</u>
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
	<u>975,461</u>	<u>602,583</u>	<u>372,878</u>
	<u>1,412,365</u>	<u>895,611</u>	<u>516,754</u>

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 following years:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Acquired	39,397	166,468	22,965
Internally developed	46,741	49,193	44,181
	<u>86,138</u>	<u>215,661</u>	<u>67,146</u>

CGI GROUP INC

25

[Table of Contents](#)
Note 8 Other long-term assets

	<u>2011</u>	<u>2010</u>
	\$	\$
Deferred compensation plan assets	16,452	16,318
Long-term investments	15,309	—
Forward contracts (Note 27)	6,179	13,317
Long-term maintenance agreements	5,338	5,542
Investment in direct financing lease ¹	4,610	—
Deferred financing fees	1,077	2,360
Other	6,949	4,724
	<u>55,914</u>	<u>42,261</u>

¹ During the fiscal year 2011, the Company entered into a leasing arrangement with a client accounted for as direct financing leases. As at September 30, 2011, an amount of \$2,977,000 representing the current portion is included in prepaid expenses and other current assets and the remaining \$4,610,000 is included in other long-term assets.

Note 9 Goodwill

Due to the change in operating segments effective October 1, 2010, the Company reallocated goodwill to the new reporting units using relative fair value and conducted a goodwill impairment test on October 1, 2010 using the revised reporting units, which are the same as the operating segments (Note 23). Based on the results of this test, no impairment charge was required. In addition, the Company completed the annual impairment test as at September 30, 2011 and did not identify any impairment.

The variations in goodwill are as follows:

	<u>GIS</u>	<u>Canada</u>	<u>U.S. & India</u>	<u>Europe & Asia Pacific</u>	<u>2011</u>
	\$	\$	\$	\$	\$
Balance, beginning of year	202,715	964,085	1,282,773	75,840	2,525,413
Acquisition	—	—	—	656	656
Purchase price adjustments (Note 19c)	—	—	4,376	—	4,376
Disposal of business	—	(5,050)	—	—	(5,050)
Foreign currency translation adjustment	120	—	10,682	(175)	10,627
Balance, end of year	<u>202,835</u>	<u>959,035</u>	<u>1,297,831</u>	<u>76,321</u>	<u>2,536,022</u>

	<u>GIS</u>	<u>Canada</u>	<u>U.S. & India</u>	<u>Europe & Asia Pacific</u>	<u>2010</u>
	\$	\$	\$	\$	\$
Balance, beginning of year	—	1,141,381	432,320	101,080	1,674,781
Acquisition (Note 19a)	—	—	886,403	—	886,403
Foreign currency translation adjustment	—	—	(25,961)	(9,810)	(35,771)
Balance, end of year, as previously reported	<u>—</u>	<u>1,141,381</u>	<u>1,292,762</u>	<u>91,270</u>	<u>2,525,413</u>
Goodwill reallocation to new reporting units	<u>202,715</u>	<u>(177,296)</u>	<u>(9,989)</u>	<u>(15,430)</u>	<u>—</u>
Balance, end of year	<u>202,715</u>	<u>964,085</u>	<u>1,282,773</u>	<u>75,840</u>	<u>2,525,413</u>

[Table of Contents](#)

Note 10 Other long-term liabilities

	2011	2010
	\$	\$
Deferred compensation	24,842	25,173
Deferred revenue	29,887	40,702
Deferred rent ¹	57,645	44,737
Forward contracts (Note 27)	3,090	3,396
Other ²	10,198	5,891
	<u>125,662</u>	<u>119,899</u>

¹ Deferred rent includes the long-term portion of lease provisions which consist of estimated costs associated with vacated premises.

The total costs associated with the vacated premises of \$16,471,000 recorded in costs of services, selling and administrative expenses is included in the GIS, Canada and US & India segments for an amount of \$2,605,000, \$11,468,000 and \$2,398,000 respectively, in 2011 (\$3,629,000 included in the Canada segment in 2010 and \$10,606,000 included in the Canada and Europe & Asia Pacific segments for an amount of \$9,825,000 and \$781,000 respectively, in 2009).

² 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 \$6,590,000 (\$3,060,000 in 2010) was based on the expected cash flows of \$8,790,000 (\$4,370,000 in 2010) and was discounted at an average interest rate of 5.64% (6.42% in 2010). The timing of the settlement of these obligations varies between one and 12 years.

Note 11 Long-term debt

	2011	2010
	\$	\$
Senior U.S. unsecured notes, bearing an interest rate of 6.00% and repayable by a payment of \$20,778 (US\$20,000) in 2014, less imputed interest of \$131 ¹	20,647	109,899
Unsecured committed revolving term facility bearing interest at one month LIBOR rate plus 0.70% or one month bankers' acceptance rate plus 0.70%, maturing in 2012 ²	859,277	964,223
Obligations bearing a weighted average interest rate of 3.52% and repayable in blended monthly instalments maturing at various dates until 2018	58,575	22,049
Obligations under capital leases, bearing a weighted average interest rate of 4.37% and repayable in blended monthly instalments maturing at various dates until 2018	67,182	57,705
	<u>1,005,681</u>	1,153,876
Current portion	402,534	114,577
	<u>603,147</u>	<u>1,039,299</u>

¹ As at September 30, 2011, the private placement financing with U.S. institutional investors is comprised of one remaining tranche of Senior U.S. unsecured notes maturing in January 2014 for an amount of US\$20,000,000. On January 28, 2011, the Company repaid the second tranche in the amount of \$87,300,000 (US\$87,000,000), and settled the related forward contracts taken to manage the Company's exposure to fluctuation in the foreign exchange rate resulting in a cash outflow of \$1,275,000. The Senior U.S. unsecured notes contain covenants that require the Company to maintain certain financial ratios (Note 28). As at September 30, 2011, 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 one month LIBOR plus a variable margin that is determined based on leverage ratios (Note 28). As at September 30, 2011, an amount of \$859,277,000 has been drawn upon this facility. Also an amount of \$18,317,000 has been committed against this facility to cover various letters of credit issued for clients and other parties. The revolving credit facility contains covenants that require the Company to maintain certain financial ratios (Note 28). As at September 30, 2011, 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, 2011, no amount has been drawn upon this facility.

During the year, the Company entered into a US\$475,000,000 private placement financing with U.S. institutional investors that will be drawn down no later than December 15, 2011. The private placement will be comprised of three tranches of Senior U.S. unsecured notes, with a weighted average maturity of 8.2 years and a weighted average fixed coupon of 4.57%. As a result of this private placement, an amount of \$493,478,000 due under the existing unsecured revolving credit facility maturing within the next 12 months has been classified as long-term as of September 30, 2011 based on management's intention to reimburse part of the unsecured revolving term facility with the proceeds of the private placement.

CGI GROUP INC

[Table of Contents](#)

Note 11 Long-term debt (continued)

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

	\$
2012	379,595
2013	14,574
2014	33,522
2015	9,425
2016	6,615
Thereafter	494,768
Total principal payments on long-term debt	<u>938,499</u>

Minimum capital lease payments are as follows:

	<u>Principal</u> \$	<u>Interest</u> \$	<u>Payment</u> \$
2012	22,939	2,616	25,555
2013	17,830	1,482	19,312
2014	13,866	816	14,682
2015	8,223	297	8,520
2016	3,790	47	3,837
Thereafter	534	—	534
Total minimum capital lease payments	<u>67,182</u>	<u>5,258</u>	<u>72,440</u>

Note 12 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.

CGI GROUP INC

28

[Table of Contents](#)
Note 12 Capital stock (continued)

For 2011, 2010 and 2009, the Class A subordinate and the Class B shares varied as follows:

	Class A subordinate shares		Class B shares		Total	
	Number	Carrying value	Number	Carrying value	Number	Carrying value
		\$		\$		\$
Balance, September 30, 2008	274,165,370	1,271,948	34,208,159	47,724	308,373,529	1,319,672
Repurchased and cancelled ¹	(9,708,292)	(44,272)	—	—	(9,708,292)	(44,272)
Issued upon exercise of options ²	2,221,032	22,870	—	—	2,221,032	22,870
Conversion of shares ³	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 ¹	(35,602,085)	(168,759)	—	—	(35,602,085)	(168,759)
Issued upon exercise of options ²	6,008,766	65,558	—	—	6,008,766	65,558
Balance, September 30, 2010	237,684,791	1,148,182	33,608,159	46,887	271,292,950	1,195,069
Repurchased and cancelled ¹	(16,373,400)	(80,009)	—	—	(16,373,400)	(80,009)
Issued upon exercise of options ²	5,743,649	66,065	—	—	5,743,649	66,065
Purchased and held in trust ⁴	—	(2,566)	—	—	—	(2,566)
Balance, September 30, 2011	227,055,040	1,131,672	33,608,159	46,887	260,663,199	1,178,559

¹ On January 26, 2011, 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 NCIB enables the Company to purchase up to 23,006,547 Class A subordinate shares (25,151,058 in 2010 and 26,970,437 in 2009) for cancellation on the open market through the TSX. The Class A subordinate shares were available for purchase under the NCIB commencing February 9, 2011, until no later than February 8, 2012, or on such earlier date when the Company completes its purchases or elects to terminate the bid. During fiscal year 2011, the Company repurchased, under the previous and current NCIB, 16,373,400 Class A subordinate shares (35,602,085 in 2010 and 9,525,892 in 2009) for cash consideration of \$305,028,000 (\$516,699,000 in 2010 and \$99,881,000 in 2009). The excess of the purchase price over the carrying value of Class A subordinate shares repurchased, in the amount of \$225,019,000 (\$347,940,000 in 2010 and \$55,609,000 in 2009), was charged to retained earnings.

² The carrying value of Class A subordinate shares includes \$14,341,000 (\$13,332,000 in 2010 and \$5,253,000 in 2009), 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 year ended September 30, 2009, a shareholder converted 600,000 Class B shares into 600,000 Class A subordinate shares.

⁴ In connection with the PSU plan, the Company provided instructions to a trustee under the terms of a Trust Agreement to purchase 164,012 Class A subordinate shares of the Company in the open market for \$2,566,000 during the year ended September 30, 2011 (Note 13b).

[Table of Contents](#)
Note 13 Stock-based compensation 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 four 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, 2011, 46,258,529 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:

	Number of options	2011 Weighted average exercise price per share \$	Number of options	2010 Weighted average exercise price per share \$	Number of options	2009 Weighted average exercise price per share \$
Outstanding, beginning of year	26,555,483	10.03	28,883,835	9.16	26,757,738	9.34
Granted	6,634,974	15.53	8,413,586	12.58	8,448,453	9.32
Exercised	(5,743,649)	9.01	(6,008,766)	8.69	(2,221,032)	7.93
Forfeited	(3,255,072)	12.68	(3,734,542)	9.65	(3,863,746)	11.16
Expired	(28,419)	9.19	(998,630)	15.91	(237,578)	14.11
Outstanding, end of year	24,163,317	11.42	26,555,483	10.03	28,883,835	9.16
Exercisable, end of year	13,108,369	9.39	14,116,392	8.60	18,087,166	8.75

The following table summarizes information about outstanding stock options granted by the Company as at September 30, 2011:

Range of exercise price \$	Number of options	Options outstanding		Options exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
5.20 to 6.98	1,496,149	3.71	6.51	1,496,149	6.51
7.00 to 7.87	2,411,975	3.73	7.75	2,411,975	7.75
8.00 to 8.91	2,599,257	3.12	8.55	2,599,257	8.55
9.05 to 9.43	3,783,709	6.97	9.31	2,345,168	9.31
10.05 to 11.80	2,733,832	6.02	11.37	2,733,832	11.37
12.54 to 13.26	4,683,744	8.01	12.55	1,425,520	12.55
14.48 to 15.96	6,396,109	9.01	15.48	52,926	15.15
19.28 to 22.52	58,542	9.60	20.66	43,542	20.02
	24,163,317	6.67	11.42	13,108,369	9.39

CGI GROUP INC

30

Table of Contents

Note 13 Stock-based compensation and contributed surplus (continued)

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Stock-based compensation cost (\$)	<u>15,022</u>	<u>15,517</u>	<u>8,617</u>
Dividend yield (%)	0.00	0.00	0.00
Expected volatility (%)	27.11	27.32	24.42
Risk-free interest rate (%)	1.99	2.48	3.05
Expected life (years)	5.00	5.00	5.00
Weighted average grant date fair value (\$)	4.31	3.63	2.59

B) PERFORMANCE SHARE UNITS

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 expire on December 31, of the third calendar year during which the award is made, except in the event of retirement, termination of employment or death. Granted PSUs vest annually over a period of four years from the date of grant conditionally upon achievement of objectives.

Class A subordinate shares purchased in connection with the PSU plan are held in trust for the benefits of the participants. The trust, considered as a variable interest entity, is consolidated in the Company's financial statements with the cost of the purchased shares recorded as a reduction of capital stock (Note 12).

During the year ended September 30, 2011, the Company granted 164,012 PSUs with a grant date fair value of \$15.51 per unit based on the closing price of the Class A subordinate shares on the TSX on that date. There was no grant under this plan in fiscal year 2010.

The stock-based compensation cost related to PSUs recorded in costs of services, selling and administrative expenses for the year ended September 30, 2011 was \$399,000 (nil for the year ended September 30, 2010).

C) CONTRIBUTED SURPLUS

The following table summarizes the contributed surplus activity since September 30, 2008:

	<u>\$</u>
Balance, September 30, 2008	77,373
Compensation cost associated with exercised options (Note 12)	(5,253)
Stock-based compensation cost	<u>8,617</u>
Balance, September 30, 2009	80,737
Compensation cost associated with exercised options (Note 12)	(13,332)
Stock-based compensation cost	<u>15,517</u>
Balance, September 30, 2010	82,922
Compensation cost associated with exercised options (Note 12)	(14,341)
Stock-based compensation cost	<u>15,421</u>
Balance, September 30, 2011	<u>84,002</u>

CGI GROUP INC

31

[Table of Contents](#)
Note 14 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:

	2011			2010			2009		
	Earnings from continuing operations	Weighted average number of shares outstanding ¹	Earnings per share from continuing operations	Earnings from continuing operations	Weighted average number of shares outstanding ¹	Earnings per share from continuing operations	Earnings from continuing operations	Weighted average number of shares outstanding ¹	Earnings per share from continuing operations
	\$		\$	\$		\$	\$		\$
Basic	434,809	265,333,074	1.64	362,386	284,826,257	1.27	315,158	306,853,077	1.03
Dilutive options and PSUs ²		9,953,460			8,093,693			3,492,164	
	<u>434,809</u>	<u>275,286,534</u>	<u>1.58</u>	<u>362,386</u>	<u>292,919,950</u>	<u>1.24</u>	<u>315,158</u>	<u>310,345,241</u>	<u>1.02</u>

¹ The 16,373,400 Class A subordinate shares repurchased and the 164,012 Class A subordinate shares purchased and held in a trust during the fiscal year 2011 (35,602,085 and nil, respectively in 2010 and 9,525,892 and nil, respectively in 2009), were excluded from the calculation of weighted average number of shares outstanding as of the date of transaction.

² The calculation of the diluted earnings per share excluded 6,297,143, 8,029,590 and 13,384,651 options for the years ended September 30, 2011, 2010 and 2009, respectively, as they were anti-dilutive.

Note 15 Amortization

	2011	2010	2009
	\$	\$	\$
Amortization of capital assets ¹	78,627	72,067	61,412
Amortization of intangible assets			
Contract costs related to transition costs	23,100	30,396	22,377
Other intangible assets ²			
Internal-use software	10,834	11,121	13,770
Business solutions	35,371	26,322	40,929
Software licenses	19,226	18,726	16,674
Client relationships and other	44,214	36,676	40,599
	<u>211,372</u>	<u>195,308</u>	<u>195,761</u>
Amortization of contract costs related to incentives (presented as a reduction of revenue)	16,013	23,149	21,043
Amortization of premiums and discounts on investments related to funds held for clients (presented net as a reduction of revenue)	1,257	—	—
Amortization of deferred financing fees (presented in interest on long-term debt)	1,283	1,283	1,283
	<u>229,925</u>	<u>219,740</u>	<u>218,087</u>

¹ Amortization expense of capital assets acquired under capital leases was \$18,526,000 in 2011 (\$18,467,000 and \$13,213,000 in 2010 and 2009 respectively).

² Amortization includes impairment for a total amount of \$11,719,000 related to business solutions that were no longer expected to provide future value, and is included in the Canada and U.S. & India segments for an amount of \$9,567,000 and \$2,152,000, respectively, in 2011 (nil in 2010 and \$11,143,000 in 2009 related to internal-use software, business solutions and client relationships for an amount of \$807,000, \$7,485,000 and \$2,851,000, respectively, mainly included in the U.S. & India segment).

[Table of Contents](#)**Note 16 Accumulated other comprehensive loss**

	Balance, as at October 1, 2010 \$	Net changes during the year \$	Balance, as at September 30, 2011 \$
Net unrealized losses on translating financial statements of self-sustaining foreign operations (net of accumulated income tax recovery of \$11,403)	(413,021)	11,716	(401,305)
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 \$13,261)	76,806	(4,695)	72,111
Net unrealized gains on cash flow hedges (net of accumulated income tax expense of \$1,457)	14,469	(9,197)	5,272
Net unrealized gains on available for sale investments (net of accumulated income tax recovery of \$854)	—	2,352	2,352
	<u>(321,746)</u>	<u>176</u>	<u>(321,570)</u>
	Balance, as at October 1, 2009 \$	Net changes during the year \$	Balance, as at September 30, 2010 \$
Net unrealized losses on translating financial statements of self-sustaining foreign operations (net of accumulated income tax recovery of \$12,686)	(359,423)	(53,598)	(413,021)
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)	61,000	15,806	76,806
Net unrealized gains on cash flow hedges (net of accumulated income tax expense of \$5,336)	12,433	2,036	14,469
	<u>(285,990)</u>	<u>(35,756)</u>	<u>(321,746)</u>
	Balance, as at October 1, 2008 \$	Net changes during the year \$	Balance, as at September 30, 2009 \$
Net unrealized losses on translating financial statements of self-sustaining foreign operations (net of accumulated income tax recovery of \$10,464)	(365,672)	6,249	(359,423)
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 \$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
	<u>(321,424)</u>	<u>35,434</u>	<u>(285,990)</u>

For the year ended September 30, 2011, \$7,476,000 of the net unrealized gains previously recognized in other comprehensive income (net of income taxes of \$3,314,000) were reclassified to net earnings for derivatives designated as cash flow hedges (\$8,359,000 net of income taxes of \$3,746,000 for the year ended September 30, 2010, and \$928,000 net of income taxes of \$478,000 for the year ended September 30, 2009).

[Table of Contents](#)
Note 17 Income taxes

Future income taxes are classified as follows:

	<u>2011</u>	<u>2010</u>
	\$	\$
Current future income tax assets	3,522	16,509
Long-term future income tax assets	11,601	11,592
Current future income tax liabilities	(20,389)	(26,423)
Long-term future income tax liabilities	(146,889)	(170,683)
Future income taxes, net	<u>(152,155)</u>	<u>(169,005)</u>

The income tax expense is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$
Current	127,379	136,387	95,923
Future	(15,886)	(21,417)	29,300
	<u>111,493</u>	<u>114,970</u>	<u>125,223</u>

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:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	%	%	%
Company's statutory tax rate	28.8	30.2	30.9
Effect of foreign tax rate differences	(2.4)	0.3	—
Final determination from agreements with tax authorities and expirations of statutes of limitations	(6.8)	(7.9)	(3.9)
Non-deductible and tax exempt items	0.7	1.7	1.3
Impact on future tax assets and liabilities resulting from tax rate changes	0.1	(0.3)	—
Tax benefits on losses	—	0.1	0.1
Effective income tax rate	<u>20.4</u>	<u>24.1</u>	<u>28.4</u>

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

	<u>2011</u>	<u>2010</u>
	\$	\$
Future income tax assets:		
Accounts payable, accrued liabilities and other long-term liabilities	25,021	14,074
Tax benefits on losses carried forward	11,423	14,667
Capital assets and intangible assets	18,404	20,482
Accrued compensation	16,580	28,397
Unrealized losses on cash flow hedges	2,054	1,585
Allowance for doubtful accounts	3,255	1,793
Other	1,280	1,612
	<u>78,017</u>	82,610
Valuation allowance	(3,964)	(4,346)
	<u>74,053</u>	78,264
Future income tax liabilities:		
Capital assets, intangible assets and other long-term assets	141,369	161,988
Work in progress	28,090	25,165
Goodwill	33,490	27,774
Refundable tax credits on salaries	14,756	20,985
Unrealized gains on cash flow hedges	3,511	6,908
Other	4,992	4,449
	<u>226,208</u>	247,269
Future income taxes, net	<u>(152,155)</u>	<u>(169,005)</u>

[Table of Contents](#)

Note 17 Income taxes (continued)

At September 30, 2011, the Company had \$37,152,000 in non-capital losses carried forward, of which \$2,973,000 expire at various dates up to 2018 and \$34,179,000 have no expiry dates. The Company recognized a future tax asset of \$11,423,000 on the losses carried forward and recognized a valuation allowance of \$3,964,000. The decrease in the valuation allowance mainly results from the expiry of non capital losses. The resulting net future income tax asset of \$7,459,000 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 18 Costs of services, selling and administrative

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$
Costs of services, selling and administrative	3,665,024	3,116,425	3,268,995
Tax credits	(111,832)	(90,602)	(98,589)
	<u>3,553,192</u>	<u>3,025,823</u>	<u>3,170,406</u>

CGI GROUP INC

35

[Table of Contents](#)**Note 19 Investments in subsidiaries****2011 TRANSACTIONS****a) Acquisition**

There were no significant acquisitions during fiscal 2011.

b) Disposal

On April 4, 2011, the Company concluded a transaction for a net consideration of \$10,500,000 whereby Conseiller en informatique d'affaires CIA inc. ("CIA") repurchased its shares held by the Company, which represented a 68% interest, excluding its Paris operations, and the Company simultaneously purchased 32% of the operations carried out in CIA's Paris office not previously owned. The Company received \$5,917,000 during the year ended September 30, 2011, with the remaining balance of \$4,583,000 due in quarterly instalments up to March 2014 bearing interest at 10%. The sale did not have a material impact on the Company's net earnings or financial position. The increase in the investment in CIA's Paris office resulted in a decrease in retained earnings of \$811,000. As a result there is no longer a non-controlling interest in the Company's consolidated financial statements.

c) Modifications to purchase price allocation

During the year ended September 30, 2011, the Company finalized the purchase price allocation and made adjustments relating to the acquisition of Stanley, Inc. ("Stanley"). The resulting impact for the year ended September 30, 2011 was a decrease in intangible assets of \$1,743,000, future income tax assets of \$299,000 and future income tax liabilities of \$682,000 and an increase of accrued compensation of \$1,491,000, accounts payable and accrued liabilities of \$50,000 and income taxes payable of \$1,475,000, whereas goodwill increased by \$4,376,000. The prior period figures have not been adjusted given that the effect of restatement was not significant.

d) Acquisition-related and integration costs

In connection with the acquisition of Stanley in fiscal year 2010, the Company expensed \$3,675,000 during the year ended September 30, 2011. The expenses included costs to integrate the operations and to realize synergies.

CGI GROUP INC

36

[Table of Contents](#)
Note 19 Investments in subsidiaries (continued)**2010 TRANSACTIONS****a) Acquisition**

The Company made the following acquisition:

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

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

¹ The current assets included 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 represented the future economic value associated to acquired work force and synergies with the Company's operations. All of the goodwill was included in the U.S. and India segment and \$26,323,000 was 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 consisted mainly of professional fees incurred for the acquisition. The integration costs mainly included 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 were separately disclosed in the Company's consolidated statement of earnings.

[Table of Contents](#)

Note 19 Investments in subsidiaries (continued)

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.

Note 20 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 19b of 2009 Transactions).

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue	—	—	2,511
Operating expenses ¹	—	—	1,046
Amortization	—	—	14
Earnings before income taxes	—	—	1,451
Income tax expense ²	—	—	143
Earnings from discontinued operations	<u>—</u>	<u>—</u>	<u>1,308</u>

¹ For the year ended September 30, 2009, operating expenses from discontinued operations include a gain on disposition of \$1,494,000.

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

Table of Contents
Note 20 Discontinued operations (continued)

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$
Cash provided by operating activities	—	—	164
Cash used in investing activities	—	—	(3)
Total cash provided by discontinued operations	<u>—</u>	<u>—</u>	<u>161</u>

Note 21 Joint Venture: supplementary information

The Company's 49% proportionate share of operations of its joint venture, Innovapost Inc. ("Innovapost"), is included in the consolidated financial statements as follows:

	<u>2011</u>	<u>2010</u>	
	\$	\$	
Balance sheets			
Current assets	44,287	38,148	
Non-current assets	2,309	2,992	
Current liabilities	17,445	15,609	
Non-current liabilities	994	933	
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$
Statements of earnings			
Revenue	98,578	91,015	101,964
Expenses	85,219	79,597	88,552
Net earnings	13,359	11,418	13,412
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$
Statements of cash flows			
Cash provided by (used in):			
Operating activities	12,630	13,763	25,542
Investing activities	(572)	(733)	(570)
Financing activities	(9,800)	(12,740)	(12,250)

Note 22 Supplementary cash flow information

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$
Accounts receivable	(93,995)	125,928	31,749
Work in progress	(39,790)	(59,579)	(22,450)
Prepaid expenses and other current assets	46,176	17,933	8,399
Accounts payable and accrued liabilities	34,683	(46,810)	(39,255)
Accrued compensation	(1,303)	(74,443)	38,009
Deferred revenue	(3,571)	22,415	15,194
Income taxes	(34,560)	(8,386)	25,974
	<u>(92,360)</u>	<u>(22,942)</u>	<u>57,620</u>

[Table of Contents](#)
Note 22 Supplementary cash flow information (continued)

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$
Operating activities			
Accounts receivable	(326)	(693)	(1,476)
Work in progress	—	2,707	—
Prepaid expenses and other current assets	(26,400)	—	—
Accounts payable and accrued liabilities	—	—	(1,817)
Deferred revenue	—	3,750	4,779
	<u>(26,726)</u>	<u>5,764</u>	<u>1,486</u>
Investing activities			
Purchase of capital assets	(36,083)	(42,982)	(27,040)
Additions of intangible assets	(15,939)	(23,708)	(4,779)
Additions of other long-term assets	(3,646)	—	—
	<u>(55,668)</u>	<u>(66,690)</u>	<u>(31,819)</u>
Financing activities			
Increase in obligations under capital leases	28,822	38,200	27,040
Increase in obligations	53,246	22,033	—
Issuance of shares	326	693	1,476
Repurchase of Class A subordinate shares	—	—	1,817
	<u>82,394</u>	<u>60,926</u>	<u>30,333</u>

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$
Interest paid	17,807	13,254	16,558
Income taxes paid	135,433	104,724	63,125

CGI GROUP INC

40

[Table of Contents](#)
Note 23 Segmented information

In prior years, management regularly reviewed the Company's operating results based on a geographic delivery view, in addition to Corporate services. As a result of changes to the management reporting structure on October 1, 2010, the Company is now managed through four operating segments.

The GIS segment incorporates all services provided to clients for their technology infrastructure management. This segment incorporates results from these services world-wide.

The other segments incorporate all other services provided to clients based on a geographical delivery model: Canada, U.S. & India and Europe & Asia Pacific. In addition to system integration and consulting, services may include the outsourcing of projects and applications, application maintenance and support, as well as BPS.

The following presents information on the Company's operations based on its management structure. The Company has retrospectively revised the segmented information for earlier periods to conform to the new segmented information structure.

	2011				
	GIS	Canada	U.S. & India	Europe & Asia Pacific	Total
	\$	\$	\$	\$	\$
Segment revenue	824,847	1,858,686	2,079,098	269,402	5,032,033
Intersegment revenue elimination	(12,763)	(522,306)	(125,087)	(48,640)	(708,796)
Revenue	812,084	1,336,380	1,954,011	220,762	4,323,237
Earnings from continuing operations before acquisition-related and integration costs, interest on long-term debt, interest income, other (income) expense and income tax expense ¹	106,902	263,700	182,840	8,510	561,952
Acquisition-related and integration costs					(3,675)
Interest on long-term debt					(19,395)
Interest income					3,759
Other income					3,917
Earnings before income taxes					546,558
Total assets	543,558	1,686,966	2,264,958	190,061	4,685,543

¹ Amortization included in GIS, Canada, U.S. & India and Europe & Asia Pacific is \$84,385,000, \$53,573,000, \$86,686,000 and \$3,998,000, respectively, for the year ended September 30, 2011.

[Table of Contents](#)
Note 23 Segmented information (continued)

	2010				
	GIS	Canada	U.S. & India	Europe & Asia Pacific	Total
	\$	\$	\$	\$	\$
Segment revenue	872,645	1,824,068	1,478,017	239,548	4,414,278
Intersegment revenue elimination	(14,690)	(478,623)	(142,222)	(46,626)	(682,161)
Revenue	<u>857,955</u>	<u>1,345,445</u>	<u>1,335,795</u>	<u>192,922</u>	<u>3,732,117</u>
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 ¹	89,225	259,075	166,917	(3,315)	511,902
Acquisition-related and integration costs					(20,883)
Interest on long-term debt					(17,123)
Interest income					2,419
Other income					952
Gain on sale of capital assets					469
Earnings before income taxes					<u>477,736</u>
Total assets	<u>517,674</u>	<u>1,729,239</u>	<u>2,193,487</u>	<u>166,791</u>	<u>4,607,191</u>

¹ Amortization included in GIS, Canada, U.S. & India and Europe & Asia Pacific is \$94,056,000, \$54,083,000, \$64,119,000 and \$6,199,000, respectively, for the year ended September 30, 2010.

	2009				
	GIS	Canada	U.S. & India	Europe & Asia Pacific	Total
	\$	\$	\$	\$	\$
Segment revenue	949,134	1,900,322	1,426,673	303,764	4,579,893
Intersegment revenue elimination	(20,237)	(564,867)	(116,580)	(53,048)	(754,732)
Revenue	<u>928,897</u>	<u>1,335,455</u>	<u>1,310,093</u>	<u>250,716</u>	<u>3,825,161</u>
Earnings from continuing operations before interest on long-term debt, interest income, other (income) expense, and income tax expense ¹	85,720	212,546	149,015	13,460	460,741
Interest on long-term debt					(18,960)
Interest income					2,908
Other expense					(3,569)
Earnings before income taxes					<u>441,120</u>
Total assets	<u>645,857</u>	<u>1,963,873</u>	<u>1,085,179</u>	<u>205,001</u>	<u>3,899,910</u>

¹ Amortization included in GIS, Canada, U.S. & India and Europe & Asia Pacific is \$82,450,000, \$45,735,000, \$80,368,000 and \$8,251,000, respectively, for the year ended September 30, 2009.

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.

[Table of Contents](#)
Note 23 Segmented information (continued)**GEOGRAPHIC INFORMATION**

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

	<u>2011</u>	<u>2010</u>
	\$	\$
Capital assets		
Canada	164,705	161,993
U.S.	65,405	59,306
Other	21,558	16,725
	<u>251,668</u>	<u>238,024</u>

The following table provides revenue information based on the client's location:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$
Revenue			
Canada	2,009,936	2,043,855	2,111,499
U.S.	2,042,365	1,447,421	1,407,644
Other	270,936	240,841	306,018
	<u>4,323,237</u>	<u>3,732,117</u>	<u>3,825,161</u>

INFORMATION ABOUT SERVICES

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$
Outsourcing			
IT Services	2,206,204	1,870,804	1,817,943
BPS	749,728	412,341	405,516
Systems integration and consulting	1,367,305	1,448,972	1,601,702
	<u>4,323,237</u>	<u>3,732,117</u>	<u>3,825,161</u>

MAJOR CLIENT INFORMATION

Contracts with the U.S. federal government and its various agencies accounted for \$1,233,784,000 of revenues included within the U.S. & India segment for the year ended September 30, 2011 (\$510,786,000 and \$394,436,000 for the years ending September 30, 2010 and 2009, respectively).

Table of Contents
Note 24 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 \$80,075,000, \$81,760,000 and \$108,139,000 for the years ended September 30, 2011, 2010 and 2009, respectively.

	<u>2011</u>	<u>2010</u>
	\$	\$
Accounts receivable	4,570	681
Work in progress	1,158	1,076
Contract costs	3,713	6,210
Deferred revenue	2,985	1,012

Note 25 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, 2011, 2010 and 2009, the plan expense was \$4,154,000, \$5,343,000 and \$5,053,000, respectively.
- The Company maintains a 401(k) defined contribution plan covering substantially all U.S. employees. The Company matches employees' contributions to a maximum of US\$2,500 per year. For the years ended September 30, 2011, 2010 and 2009, the amounts of the Company's contributions were \$10,469,000, \$8,212,000 and \$7,557,000, 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 \$1,775,000 as at September 30, 2011 (\$2,376,000 at September 30, 2010). 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 \$16,452,000 as at September 30, 2011 (\$16,318,000 as at September 30, 2010).
- 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 \$6,966,000 as at September 30, 2011 (\$7,008,000 at September 30, 2010). The Company measures its benefits liability as at September 30 of each year. An actuarial valuation was performed at September 30, 2011, and the next actuarial valuation will be as at September 30, 2014.

[Table of Contents](#)

Note 25 Employee future benefits (continued)

- The Company's joint venture maintains a defined benefit pension plan and a supplementary retirement arrangement plan to cover its active employees. The post-employment benefit assets totalled \$2,781,000 as at September 30, 2011, (\$1,044,000 as at September 30, 2010). The assets for both plans are based on the most recent actuarial valuations as at September 30. Actuarial valuations were performed as at December 31, 2010 and January 1, 2011, respectively, and the next actuarial valuations will be as at December 31, 2013 and January 1, 2013, respectively.

Note 26 Commitments, contingencies and guarantees

A) COMMITMENTS

At September 30, 2011, the Company is committed under the terms of operating leases with various expiration dates up to 2027, primarily for the rental of premises and computer equipment used in outsourcing contracts, in the aggregate amount of approximately \$815,771,000. Minimum lease payments due in the next five years and thereafter are as follows:

	\$
2012	129,387
2013	114,934
2014	96,946
2015	90,434
2016	76,606
Thereafter	307,464

The Company entered into long-term service and other agreements representing a total commitment of \$98,391,000. Minimum payments under these agreements due in each of the next five years are as follows:

	\$
2012	48,547
2013	34,805
2014	9,839
2015	4,420
2016	780

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.

[Table of Contents](#)**Note 26 Commitments, contingencies and guarantees (continued)****C) GUARANTEES****Sale of assets and business divestitures**

In connection with the sale of assets and business divestitures, the Company may be required to pay counterparties for costs and losses incurred as the result of breaches in representations and warranties, intellectual property right infringement and litigation against counterparties. While some of the agreements specify a maximum potential exposure of approximately \$3,733,000 in total, others do not specify a maximum amount or limited period. It is not possible to reasonably estimate the maximum amount that may have to be paid under such guarantees. The amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. No amount has been accrued in the consolidated balance sheets relating to this type of indemnification as at September 30, 2011. 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, 2011, the Company provided for a total of \$43,230,000 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.

CGI GROUP INC

46

[Table of Contents](#)

Note 27 Financial instruments

FAIR VALUE

At September 30, 2011 and 2010, the estimated fair values of trade accounts receivable, work in progress, cash included in funds held for clients, accounts payable and accrued liabilities, accrued compensation, long-term debt obligation and clients' funds obligations approximate their respective carrying values.

The fair values of Senior U.S. unsecured notes and the unsecured committed revolving 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 \$22,236,000 and \$855,307,000 as at September 30, 2011, respectively (\$112,937,000 and \$941,396,000 as at September 30, 2010, respectively), as compared to their carrying value of \$20,647,000 and \$859,277,000, respectively (as compared to \$109,899,000 and \$964,223,000 as at September 30, 2010, respectively) (Note 11).

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

	Recorded as	2011 \$	2010 \$
Hedge on net investments in self-sustaining foreign subsidiaries			
US\$815,000 debt designated as the hedging instrument to the Company's net investment in U.S. subsidiaries (US\$920,000 as at September 30, 2010)	Long term debt	846,703	947,416
€9,000 debt designated as the hedging instrument to the Company's net investment in European subsidiaries (€12,000 as at September 30, 2010)	Long term debt	12,574	16,807
Cash flow hedges on future revenue			
US\$76,740 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\$130,380 as at September 30, 2010)	Other current assets	6,497	8,918
	Other long-term assets	5,613	11,433
US\$45,000 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\$44,820 as at September 30, 2010)	Other current assets	156	2,378
	Other long-term assets	1	1,121
	Other long-term liabilities	536	—
\$62,220 foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the Canadian dollar and the Indian rupee (\$89,040 as at September 30, 2010)	Accrued liabilities	2,560	1,570
	Other long-term liabilities	2,554	3,396
Cash flow hedges on Senior U.S. unsecured notes			
US\$20,000 foreign currency forward contracts (US\$107,000 as at September 30, 2010)	Other current asset	—	1,277
	Other long-term assets	565	763

The Company expects that approximately \$4,093,000 of the accumulated net unrealized gains on all derivative financial instruments designated as cash flow hedges at September 30, 2011 will be reclassified in net income in the next 12 months.

During fiscal 2011, the Company's hedging relationships were effective.

[Table of Contents](#)
Note 27 Financial instruments (continued)**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 11) 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 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). The Company also hedges a portion of the translation of self-sustaining operations' net assets into Canadian dollar with foreign currency denominated borrowings (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. 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 financial instruments and adjusts their translation at period end for a 10% strengthening in foreign currency rates.

	<u>U.S. dollar impact</u>	<u>2011 Euro impact</u>	<u>U.S. dollar impact</u>	<u>2010 Euro impact</u>
Increase in net earnings	565	191	381	318
(Decrease) increase in other comprehensive income	(62,887)	2,383	(91,165)	1,690

CGI GROUP INC

48

[Table of Contents](#)
Note 27 Financial instruments (continued)**LIQUIDITY RISK**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's activities are financed through a combination of the cash flows from operations, borrowing under existing credit facilities, the issuance of debt and the issuance of equity. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows.

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities. All amounts contractually denominated in foreign currency are presented in Canadian dollar equivalent amounts using the period-end spot rate.

<u>As at September 30, 2011</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than one year</u>	<u>Between one and two years</u>	<u>Between two and five years</u>	<u>Beyond five years</u>
	\$	\$	\$	\$	\$	\$
Non-derivative financial liabilities						
Bank overdraft	75,538	75,538	75,538	—	—	—
Accounts payable and accrued liabilities	321,745	321,745	321,745	—	—	—
Accrued compensation	189,969	189,969	189,969	—	—	—
Senior U.S. unsecured notes	20,647	23,895	1,247	1,247	21,401	—
Unsecured committed revolving term facility	859,277	866,560	866,560	—	—	—
Obligations repayable in blended monthly instalments	58,575	62,987	15,553	15,898	30,242	1,294
Clients' funds obligations	244,660	244,660	244,660	—	—	—
Derivative financial liabilities						
Cash flow hedge on future revenue						
Outflow	5,650	6,237	2,675	2,423	1,139	—
(Inflow)	(12,267)	(12,535)	(6,772)	(4,972)	(791)	—
	<u>1,763,794</u>	<u>1,779,056</u>	<u>1,711,175</u>	<u>14,596</u>	<u>51,991</u>	<u>1,294</u>
<u>As at September 30, 2010</u>						
	\$	\$	\$	\$	\$	\$
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)	—
	<u>1,821,844</u>	<u>1,844,082</u>	<u>843,244</u>	<u>969,474</u>	<u>29,958</u>	<u>1,406</u>

As at September 30, 2011, the Company holds cash and cash equivalents and short-term and long-term investments of \$183,236,000 (\$141,020,000 as at September 30, 2010). The Company also has available \$622,406,000 in unsecured revolving credit facilities (Note 11) (\$519,931,000 as at September 30, 2010), as well as \$493,478,000 in private placement financing (Note 11). The funds held for clients of \$247,622,000 (\$248,695,000 as at September 30, 2010) 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.

[Table of Contents](#)
Note 27 Financial instruments (continued)**CREDIT RISK**

The Company takes on exposure to credit risk, which is the risk that a client will be unable to pay amounts in full when due. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, short-term investments, work in progress, accounts receivable and long-term investments.

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 is exposed to credit risk in connection with short-term and long-term investments through the possible inability of borrowers to meet the terms of their bonds. The Company mitigates this risk by investing primarily in high credit quality corporate and government bonds with a credit rating of A or higher.

The Company has accounts receivable and work in progress derived from clients engaged in various industries including governmental agencies, finance, telecommunications, manufacturing and utilities that are not concentrated in any specific geographic area. These specific industries may be affected by economic factors that may impact accounts receivable. However, management does not believe that the Company is subject to any significant credit risk in view of the Company's large and diversified client base.

The following table sets forth details of the age of accounts receivable that are past due:

	<u>2011</u>	<u>2010</u>
	\$	\$
Not past due	309,307	301,106
Past due 1-30 days	43,360	28,864
Past due 31-60 days	26,116	5,738
Past due 61-90 days	7,504	5,018
Past due more than 90 days	14,378	20,147
	400,665	360,873
Allowance for doubtful accounts	(5,197)	(11,524)
	<u>395,468</u>	<u>349,349</u>

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.

CGI GROUP INC

50

Table of Contents

Note 28 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, 2011, total managed capital was \$3,459,735,000 (\$3,447,527,000 at September 30, 2010). Managed capital consists of long-term debt, including the current portion (Note 11), cash and cash equivalents net of bank overdraft (Note 3), short-term investments, long-term investments and shareholders' equity. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in the business environment. When capital needs have been specified, the Company's management proposes capital transactions for the approval of the Company's Audit and Risk Management Committee and Board of Directors. The capital risk policy remains unchanged from prior periods.

The Company monitors its capital by reviewing various financial metrics, including the following:

- Debt/Capitalization
- Net Debt/Capitalization
- Debt/EBITDA

Debt represents long-term debt, including the current portion. Net debt, capitalization and EBITDA are non-GAAP measures. Net debt represents debt (including the impact of the fair value of forward contracts) less cash and cash equivalents net of bank overdraft, short-term investments and long-term investments. Capitalization is shareholders' equity plus debt. EBITDA is calculated as earnings from continuing operations before income taxes, interest expense on long-term debt 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 and the committed US\$475,000,000 Senior U.S. unsecured notes, 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 before 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 US\$20,000,000 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.

[Table of Contents](#)
Note 28 Capital risk management (continued)

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

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

	2011 \$	2010 \$	2009 \$
Reconciliation of net earnings:			
Net earnings – Canadian GAAP	435,065	362,766	317,205
Adjustments for:			
Stock-based compensation (i)	(1,224)	(213)	(3,759)
Warrants (ii)	—	863	1,404
Reversal of income tax provision (iii)	—	—	(517)
Other (iv)	1,284	(140)	594
Net earnings – U.S. GAAP	435,125	363,276	314,927
Attributable to:			
Shareholders of CGI Group Inc.	434,869	362,896	314,188
Non-controlling interest	256	380	739
Basic earnings per share attributable to shareholders of CGI Group Inc. – U.S. GAAP	1.64	1.27	1.02
Diluted earnings per share attributable to shareholders of CGI Group Inc. – U.S. GAAP	1.58	1.24	1.01
Net earnings – U.S. GAAP	435,125	363,276	314,927
Other comprehensive income (loss)	176	(35,756)	35,434
Comprehensive income – U.S. GAAP	435,301	327,520	350,361
Attributable to:			
Shareholders of CGI Group Inc.	435,045	327,140	349,622
Non-controlling interest	256	380	739
Reconciliation of shareholders' equity:			
Equity attributable to shareholders of CGI Group Inc. – Canadian GAAP	2,346,356	2,152,631	2,275,254
Adjustments for:			
Stock-based compensation (ix)	58,411	58,411	58,411
Warrants (ii)	(7,125)	(7,125)	(7,988)
Reversal of income tax provision (iii)	(7,969)	(7,969)	(7,969)
Unearned compensation (v)	(3,694)	(3,694)	(3,694)
Integration costs (vi)	(6,606)	(6,606)	(6,606)
Goodwill (vii)	28,078	28,078	28,078
Income taxes and adjustment for change in accounting policy (viii)	9,715	9,715	9,715
Other (iv)	(2,121)	(3,405)	(3,265)
Equity attributable to shareholders of CGI Group Inc. – U.S. GAAP	2,415,045	2,220,036	2,341,936
Equity attributable to non-controlling interest – Canadian GAAP and U.S. GAAP	—	6,452	6,342

[Table of Contents](#)

Note 29 Reconciliation of results reported in accordance with Canadian GAAP to U.S. GAAP (continued)

(i) Stock-based compensation

The Company issued stock options and PSUs with a graded vesting period more than one year and performance criteria. Under Canadian GAAP, the compensation cost has been accounted for on a straight-line basis because the awards of graded vesting options and PSUs 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, and 2009 adjustments reflect the reversal of contract cost amortization, net of income taxes, which is included as a reduction to Canadian GAAP consolidated net earnings.

(iii) Reversal of income tax provision

During the fiscal year 2009, 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.

(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, 2011, 2010 and 2009, the adjustment to U.S. GAAP net earnings is a decrease of \$1,060,000, \$959,000 and \$198,000, respectively. As at September 30, 2011, 2010 and 2009, the adjustment to U.S. GAAP shareholders' equity is an increase of \$126,000, \$1,186,000 and \$2,145,000, 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.

[Table of Contents](#)

Note 29 Reconciliation of results reported in accordance with Canadian GAAP to U.S. GAAP (continued)

(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 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 GAAP and U.S. GAAP in connection to stock-based compensation cost.

(x) Changes in accounting policies

Revenue recognition

In October 2009, the FASB issued ASU 2009-13, "Multiple-Deliverable Revenue Arrangements", which became effective for the Company via prospective application to new arrangements entered into or materially modified on or after October 1, 2010. This standard is equivalent to the corresponding provisions of CICA EIC-175, "Revenue Arrangements with Multiple Deliverables" (Note 2a).

Concurrently to issuing ASU 2009-13, the FASB also issued ASU 2009-14, "Certain Revenue Arrangements that Include Software Elements", which became effective for the Company via prospective application at the same date. There is no equivalent under Canadian GAAP, therefore, the Company follows the U.S. guidance (Note 2a).

The adoption of these updates did not have any material impact on the Company's consolidated financial statements.

Business combinations

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" (Note 2b). Consequently, there is no GAAP difference since the beginning of fiscal year 2010.

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" (Note 2b).

SIGNATURES

Groupe CGI Inc./CGI Group Inc.

By: /s/ André Imbeau
 Name: André Imbeau
 Title: Founder, Executive Vice-Chairman of the Board and
 Corporate Secretary

[Table of Contents](#)

EXHIBIT INDEX

- 23.1 Consent of Ernst & Young LLP
- 23.2 Consent of Deloitte & Touche 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.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 40-F

(Check one)

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

or

☒ Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended September 30, 2012

Commission file number 1-14858

GROUPE CGI INC./CGI GROUP INC.

(Exact name of Registrant as Specified in Its Charter)

CGI Group Inc.

(Translation of Registrant's Name Into English)

Québec, Canada

(Province or Other Jurisdiction of Incorporation or Organization)

7374

(Primary Standard Industrial Classification Code Number)

[Not Applicable]

(I.R.S. Employer Identification Number)

1350 René-Lévesque Boulevard West

15th Floor

Montréal, Québec

Canada H3G 1T4

(514) 841-3200

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

CGI Technologies and Solutions Inc.

11325 Random Hills

Fairfax, VA22030

(703) 267-8679

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

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

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

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

None

(Title of Class)

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

None

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

☒ Annual Information Form

☒ Audited Annual Financial Statements

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

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

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

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

Undertaking

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

Controls and Procedures

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

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

Audit Committee

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

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

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

- Gilles Labbé

Principal Accountant Fees and Services

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

- 2 -

Performance of Services

Services are either acceptable services or prohibited services.

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

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

Governance Procedures

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

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

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

- The Audit and Risk Management Committee can pre-approve envelopes for certain services to pre-determined dollar limits on a quarterly basis;
- Once pre-approved by the Audit and Risk Management Committee, the Executive Vice-President and Chief Financial Officer may approve the services prior to the engagement;
- For services not captured within the pre-approved envelopes and for costs in excess of the pre-approved amounts, separate requests for approval must be submitted to the Audit and Risk Management Committee;
- At each meeting of the Audit and Risk Management Committee a consolidated summary of all fees by service type is presented including a breakdown of fees incurred within each of the pre-approved envelopes.

Fees Billed by the External Auditors

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

<u>Service retained</u>	<u>Fees billed</u>	
	<u>2012</u>	<u>2011</u>
Audit fees	\$7,219,323	\$3,269,836
Audit related fees ^(a)	\$ 815,130	\$1,471,952
Tax fees ^(b)	\$ 621,190	\$ 245,006
All other fees ^(c)	\$ 50,085	\$ 6,736
Total fees billed	\$8,705,728	\$4,993,530

- (a) The audit related fees billed by the external auditors for the year ended September 30, 2012 were in relation to service organization control procedures audits and assistance, International Financial Reporting Standards transition assistance, information technology assistance and advisory services, and 401(k) and special audits. Those billed for the year ended September 30, 2011 were in relation to service organization control procedures audits and assistance, International Financial Reporting Standards transition assistance, assistance in mergers and acquisitions matters, information technology assistance and advisory services, and 401(k) and special audits.

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

Code of Ethics

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

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely, and understandable disclosure in reports and documents that the Registrant files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Registrant;
- Compliance with applicable governmental laws, rules and regulations;
- The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and
- Accountability for adherence to the code.

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

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

Corporate Governance Practices

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

Off-balance sheet arrangements

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

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

Tabular Presentation of Contractual Obligations

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

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

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

Information to be Filed on This Form

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

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

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

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



ANNUAL INFORMATION FORM

For the fiscal year ended
September 30, 2012

December 10, 2012

TABLE OF CONTENTS

<u>INCORPORATION AND DESCRIPTION OF CAPITAL STOCK</u>	1
<u>Corporate Structure</u>	1
<u>Capital Structure</u>	2
<u>Stock Splits</u>	2
<u>Market for Securities, Trading Price and Volume</u>	2
<u>Normal Course Issuer Bid and Share Repurchases</u>	3
<u>CORPORATE GOVERNANCE</u>	3
<u>Board and Standing Committee Charters and Codes of Ethics</u>	3
<u>Audit Committee Information</u>	3
<u>Directors and Officers</u>	3
<u>Directors</u>	3
<u>Officers</u>	3
<u>Ownership of Securities on the Part of Directors and Officers</u>	6
<u>DESCRIPTION OF CGI'S BUSINESS</u>	6
<u>Mission and Vision</u>	6
<u>Business Structure</u>	6
<u>Services Offered by CGI</u>	6
<u>Management of IT and Business Functions—Outsourcing</u>	7
<u>Consulting and Systems Integration</u>	7
<u>Markets for CGI's services</u>	7
<u>Client Base</u>	7
<u>Human Resources</u>	7
<u>CGI Offices and Global Delivery Model</u>	8
<u>Commercial Alliances</u>	9
<u>Quality Processes</u>	9
<u>The IT Services Industry</u>	9
<u>Size, Structure and Recent Developments</u>	9
<u>Industry Trends and Outlook</u>	10
<u>Vision and Strategy</u>	10
<u>Competitive Environment</u>	10
<u>Significant developments of the most recent three fiscal years</u>	11
<u>Key Performance Measures</u>	11
<u>Fiscal Year ended September 30, 2012</u>	12
<u>Fiscal Year ended September 30, 2011</u>	15
<u>Fiscal Year ended September 30, 2010</u>	21
<u>FORWARD LOOKING INFORMATION AND RISK FACTORS</u>	24
<u>Forward-Looking Information</u>	24
<u>Risks and Uncertainties</u>	25
<u>Risks Related to the Market</u>	25
<u>Economic risk</u>	25
<u>Risks Related to our Industry</u>	25
<u>The competition for contracts</u>	25
<u>The availability and retention of qualified IT professionals</u>	25
<u>The ability to develop and expand service offerings</u>	25
<u>Infringing on the intellectual property rights of others</u>	26
<u>Benchmarking provisions within certain contracts</u>	26
<u>Protecting our intellectual property rights</u>	26
<u>Risks Related to our Business</u>	26
<u>Risks associated with our growth strategy</u>	26
<u>The variability of financial results</u>	27
<u>Business mix variations</u>	27
<u>The financial and operational risks inherent in worldwide operations</u>	27
<u>Organizational challenges associated with our size</u>	27
<u>Taxes</u>	27
<u>Credit risk with respect to accounts receivable</u>	28
<u>Material developments regarding major commercial clients</u>	28
<u>Early termination risk</u>	28
<u>Cost estimation risks</u>	28
<u>Risks related to teaming agreements and subcontracts</u>	29
<u>Our partners' ability to deliver on their commitments</u>	29
<u>Guarantees risk</u>	29
<u>Risk related to human resources utilization rates</u>	29

<u>Client concentration risk</u>	29
<u>Government business risk</u>	30
<u>Regulatory risk</u>	30
<u>Legal claims made against our work</u>	30
<u>Information and infrastructure risks</u>	30
<u>Risk of harm to our reputation</u>	31
<u>Risks associated with the integration of new operations</u>	31
<u>Liquidity and funding risks</u>	31
<u>Foreign exchange risks</u>	31
<u>LEGAL PROCEEDINGS</u>	32
<u>INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS</u>	32
<u>TRANSFER AGENT AND REGISTRAR</u>	32
<u>AUDITORS</u>	32
<u>ADDITIONAL INFORMATION</u>	32
<u>APPENDIX A</u>	34
<u>Fundamental Texts</u>	34

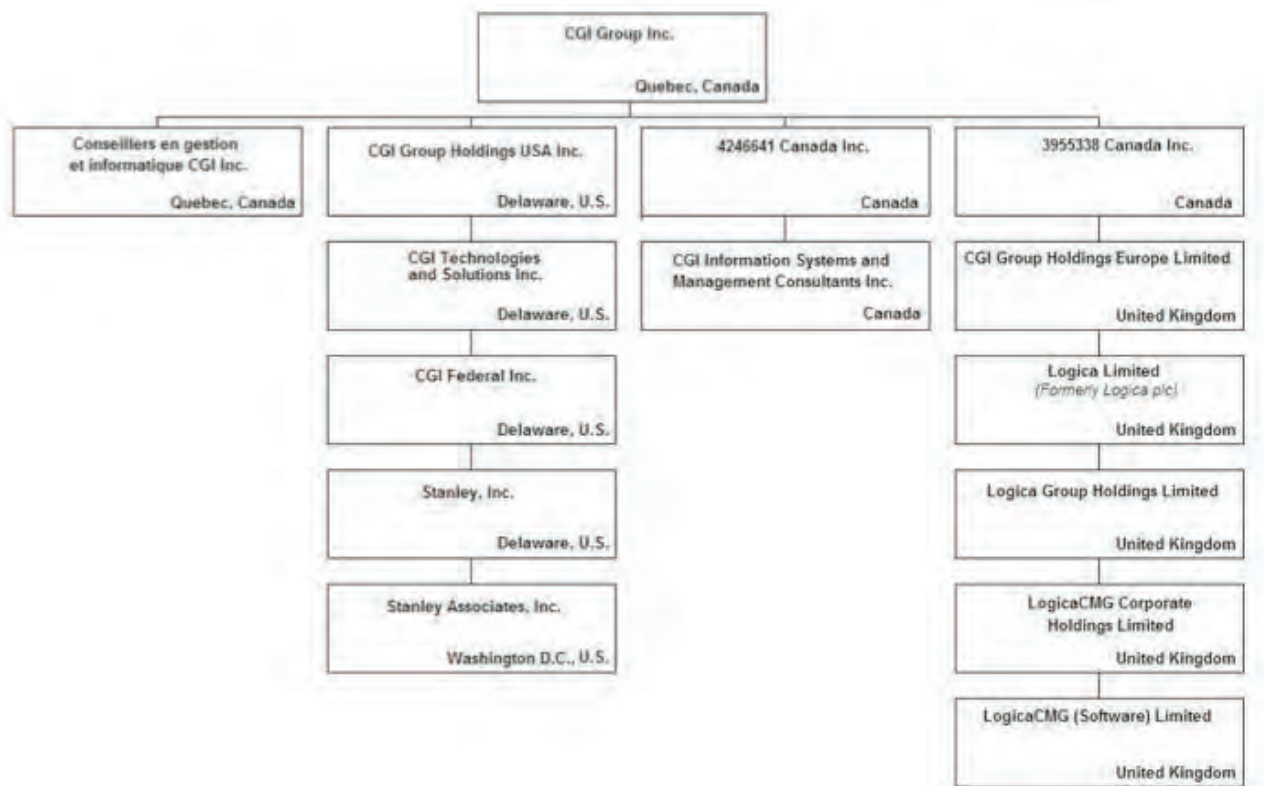
This *Annual Information Form* is dated December 10, 2012 and, unless specifically stated otherwise, all information disclosed in this form is provided as at September 30, 2012, the end of CGI's most recently completed fiscal year. All dollar amounts are in Canadian dollars, unless otherwise stated.

INCORPORATION AND DESCRIPTION OF CAPITAL STOCK

Corporate Structure

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

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



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

Capital Structure

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

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

Stock Splits

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

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

Market for Securities, Trading Price and Volume

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

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

(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.

Normal Course Issuer Bid and Share Repurchases

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

CORPORATE GOVERNANCE

Board and Standing Committee Charters and Codes of Ethics

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

Audit Committee Information

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

Directors and Officers

Directors

The Company incorporates by reference the disclosure under the heading *Nominees for Election as Directors* relating to the Company's directors contained on pages 8 to 15, and the table on Board of Directors committee membership on page 40 of CGI's *Management Proxy Circular* dated December 10, 2012 which was filed with Canadian securities regulatory authorities and which is available at www.sedar.com and on CGI's web site at 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:

Name and place of residence	Principal occupation
R. David Anderson Montreal, Quebec Canada	Executive Vice-President and Chief Financial Officer
João Baptista London, United Kingdom	President, Nordics, Southern Europe and South America
François Boulanger Brossard, Quebec Canada	Senior Vice-President and Corporate Controller
Benoit Dubé St-Lambert, Quebec Canada	Executive Vice-President, Chief Legal Officer and Assistant Corporate Secretary
Serge Dubrana Asnières sur Seine France	President, Central and Eastern Europe

Name and place of residence	Principal occupation
Julie Godin Verdun (Ile-des-Soeurs), Quebec Canada	Executive Vice-President, Human Resources and Strategic Planning
Serge Godin Westmount, Quebec Canada	Founder and Executive Chairman of the Board
Timothy W. Gregory Chislehurst, Kent England	President, United Kingdom
Colin Holgate Pymble, Sydney Australia	President, Asia Pacific
André Imbeau Beloeil, Quebec Canada	Founder, Vice-Chairman of the Board and Corporate Secretary
Jean-Marc Lazzari Saint-Rémy-l'Honoré France	President, France
Eva Maglis Montreal, Quebec Canada	Executive Vice-President and Global Chief Information Officer
Claude Marcoux Sainte-Foy, Quebec Canada	Chief Operations Officer, Canada
Douglas McCuaig Toronto, Ontario Canada	President, Canada
Luc Pinard St-Lambert, Quebec Canada	Executive Vice-President, Corporate Performance and Knowledge Management
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
Donna Ryan Watroo, South Carolina USA	President, CGI Federal
Claude Séguin Montreal, Quebec Canada	Senior Vice-President, Corporate Development and Strategic Investments
George Schindler Fairfax, Virginia USA	President, United States

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ownership of Securities on the Part of Directors and Officers

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

DESCRIPTION OF CGI'S BUSINESS

Mission and Vision

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

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

Business Structure

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

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

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

Services Offered by CGI

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

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

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

- CGI's leading enterprise resource planning solution, *CGI Advantage™*, helps state and local governments improve their back office operations and better serve their citizens with a full suite of built-for-government tools, including financial management, payroll, budgeting, human resources management, procurement and grants management. The *CGI Advantage™* client organizations include 22 states, two of the five largest cities, and three of the five largest counties.
- CGI's Credit Services Solutions, including *CACST™*, *CACS-G™*, *Bureaulink™*, *Strata™* and other components, are in use by hundreds of businesses around the world to improve their customer and small business credit operations.

Management of IT and Business Functions - Outsourcing

Clients delegate entire or partial responsibility for their IT or business functions to CGI to achieve significant savings and access the best suited technology, while retaining control over strategic IT and business functions. As part of such agreements, we implement our quality processes and proven practices to improve the efficiency of the client's operations. We also integrate 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 management (enterprise and end-user computing and network services); transaction and business processing such as payroll, insurance processing and document management services. Outsourcing contracts typically have terms of up to ten years.

Consulting and Systems Integration

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

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

Markets for CGI's Services

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

Client Base

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

Human Resources

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

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

CGI Offices and Global Delivery Model

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

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

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

[‡] indicates cities where CGI operates global delivery centres.

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

Commercial Alliances

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

Quality Processes

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

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

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

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

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

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

The IT Services Industry

Size, Structure and Recent Developments

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

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

Industry Trends and Outlook

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

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

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

Vision and Strategy

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

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

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

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

Competitive Environment

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

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

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

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

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

Significant Developments of the Three Most Recent Fiscal Years

Key Performance Measures

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

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

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

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

Capital Structure

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

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

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

Fiscal Year ended September 30, 2012

Significant Developments

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

- Revenue of \$4.8 billion, increase of 12.1% year-over-year on a constant currency basis;
- Bookings of \$5.2 billion resulting in a book-to-bill ratio of 109%;
- Backlog of \$17.6 billion;
- Strong underlying profitability delivered across legacy CGI operations;
- Accelerating profitable growth and bookings in U.S. operations; and
- Cash from operations of \$613.3 million, or \$2.24 per share.

Acquisition of Logica plc

On August 20, 2012, CGI completed the recommended cash acquisition of Logica for 105 pence (C\$1.63) per ordinary share, equivalent to a total purchase price of £1.7 billion (C\$2.7 billion as at August 20, 2012) plus the assumption of Logica's net debt of £571.0 million (C\$866.7 million). The cash acquisition of all the issued and to be issued ordinary shares of Logica was effected by means of a Court-sanctioned scheme of arrangement in the United Kingdom. Our results for the year incorporate the operations of Logica subsequent to August 20, 2012. CGI has incurred \$255.0 million in acquisition-related and integration costs over the last half of fiscal 2012.

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

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

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

- cash proceeds of C\$1.0 billion from the issuance of 46,707,146 subscription receipts exchangeable for new Class A subordinate voting shares in the Company to *Caisse de dépôt et placement du Québec* (the “Caisse”) at \$21.41 per subscription receipt pursuant to a subscription agreement entered into by the Caisse and the Company on May 31, 2012 (the “Subscription Agreement”), a subscription receipt agreement entered into by the Caisse, the Company and *Computershare Trust Company of Canada* as subscription receipt agent, on May 31, 2012 (the “Subscription Receipt Agreement”);
- debt funding from a syndicate of lenders pursuant to £1.245 billion (C\$1.9 billion) senior unsecured term loan credit facilities under a credit agreement dated May 31, 2012 (the “Term Loan Credit Agreement”), a fee letter dated May 31, 2012 (the “Fee Letter”) and a syndication letter dated May 31, 2012 (the “Syndication Letter”); and
- debt funding from a syndicate of lenders pursuant to a revolving credit facility under the Company’s existing \$1.5 billion credit agreement.

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

The Subscription Agreement contains among its terms and conditions:

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

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

- The Caisse will have the right, as long as it beneficially owns or exercises control or direction over 15% or more of the outstanding Class A subordinate voting shares, to recommend to the Company one nominee to be part of any slate proposed by the Company and included in a proxy circular relating to the election of directors of the Company, provided that the nominee shall have no material relationship with the Company or the Caisse, shall be eligible to serve as a director under the Company’s articles and laws of incorporation and that the nomination shall be subject to a favourable recommendation of the Company’s Corporate Governance Committee. CGI has no shareholder’s agreement with the Caisse and the Caisse has not yet exercised its board nomination right;
- The Registration Rights Agreement also provides that the Caisse is entitled, at any time and from time to time, as long as it beneficially owns or exercises control or direction over 20% or more of all outstanding Class A subordinate voting shares, to require CGI to file a Canadian prospectus and take such other steps as may be reasonably necessary to facilitate a secondary offering in Canada, at the Caisse’s expense, on the terms and conditions set out in the Registration Rights Agreement;

- In addition, if the Company proposes to make a distribution in Canada for its own account or if an existing shareholder proposes to make a distribution in Canada through a secondary offering, the Company will be required, at that time, upon request by the Caisse, provided that it beneficially owns or exercises control or direction over 15% of the outstanding Class A subordinate voting shares, use commercially reasonable efforts to cause to be included in the distribution the shares that the Caisse has requested to be included, up to a maximum of 15% of the shares to be offered in the distribution, with expenses to be shared on a pro rata basis, and otherwise upon the terms and conditions set out in the Registration Rights Agreement;
- In connection with any prospectus-exempt sale by the Caisse in Canada or in the U.S., the Company will be required to use commercially reasonable efforts, at the Caisse's expense, to assist the Caisse and its representatives in the preparation of the required documentation and to allow any prospective buyer to conduct reasonable due diligence on the Company. If the Company proposes to file a registration statement for the distribution of shares to the public in the U.S., the Caisse and the Company will, prior to such distribution taking place, supplement the Registration Rights Agreement so as to provide the Caisse with registration rights enabling the distribution of shares to the public in the U.S. that are substantially equivalent to the registration rights provided under the Registration Rights Agreement.

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

Credit Facility and Private Debt Placement

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

Bookings and Book-to-Bill Ratio

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

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

Share Repurchase Program

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

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

Foreign currency impact

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

Fiscal Year ended September 30, 2011

Significant Developments

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

- Bookings of \$4.9 billion;
- Book-to-bill ratio of 113%;
- Constant currency revenue growth of 18.9% over the prior fiscal year;
- Adjusted EBIT margin remained high at 13.0%;
- Basic and diluted EPS grew by 29.1% and 27.4% respectively compared to the prior fiscal year;
- Return on equity reached 19.5%;
- Cash provided by continuing operating activities remained strong, representing 13.2% of revenue; and
- Repurchased 16.4 million Class A subordinate voting shares of the Company.

Conseillers en informatique d'affaires CIA Inc.

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

Private Debt Placement

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

Performance Improvement Plan

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

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

Bookings and Book-to-Bill Ratio

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

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

Significant Bookings in the Year

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

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

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

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

Significant Contract Vehicles

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

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

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

Share Repurchase Program

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

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

Foreign currency impact

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

Fiscal Year ended September 30, 2010

Significant Developments

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

- Bookings of \$4.6 billion;
- Book-to-bill ratio of 124%;
- Constant currency growth of 3.4%;
- Adjusted EBIT margin remained strong at 13.7%;
- Basic and diluted EPS from continuing operations grew by 23.3% and 21.6% respectively;
- Return on equity reached 16.4%;
- Return on invested capital remains high at 16.3%;
- Cash provided by continuing operating activities remained strong, representing 14.8% of revenue; and
- Repurchased 35.6 million Class A subordinate voting shares of the Company.

Acquisition of Stanley Inc.

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

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

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

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

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

Bookings and Book-to-Bill Ratio

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

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

Significant Bookings in the Year

Announcement Date	Client	Duration	Value
October 5, 2009	U.S. Environmental Protection Agency ("EPA")	Seven years	Not released
	CGI Federal delivers IT infrastructure support services to the EPA under the ITS-EPA II program and assists the Office of Environmental Information in achieving more innovative, agile, and scalable IT services for the ITS-EPA II program. The seven-year agreement, awarded to seven vendors includes a US\$955 million ceiling value over the BPA's period of performance and positions.		
November 3, 2009	Yellow Pages Group	10-year extension	\$100 million
	CGI manages the applications and infrastructure of Yellow Pages Group's computer network, as well as other projects, namely business intelligence and the optimization of the company's research tools.		
November 5, 2009	U.S. Department of Housing and Urban Development ("HUD")	One year renewal	US\$58.1 million
	CGI administered HUD multi-family housing programs in California, Florida, New York, Ohio and Washington, DC, in conjunction with its state and local housing agency partners.		
December 15, 2009	North American financial institutions	New contracts & renewals	\$1.1 billion
	CGI signed new contracts and renewals with North American financial institutions totalling \$1.1 billion during its fiscal 2010 first quarter (October-December). Services provided under these new deals include systems integration, application maintenance, IP-based solutions as well as long term, multi-year managed services contracts.		
January 19, 2010	U.S. Department of State and U.S. Agency for International Development	10 years	US\$395 million
	CGI provides systems integration, consulting services, and operational support for more than 5,000 Joint Financial Management System users in more than 300 posts and missions around the world.		
April 6, 2010	Telekomunikacja Polska Group	Three years	Not released
	CGI frameworks were deployed to help TP Group consolidate its current multi application, multi vendor environment to improve overall time to market and total cost of ownership.		

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

Announcement Date	Client	Duration	Value
October 5, 2010	Bombardier Aerospace	Five years	US\$160 million
	CGI is responsible for delivering various types of IT infrastructure services to Bombardier Aerospace, including end-user device support, service desk, telephony and local area network. CGI is also responsible for Canadian legacy application support. This contract was signed prior to but announced subsequent to our year-end.		

Share Repurchase Program

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

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

Foreign currency impact

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

FORWARD LOOKING INFORMATION AND RISKS AND UNCERTAINTIES

Forward-Looking Information

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

These factors include and are not restricted to the timing and size of new contracts, acquisitions and other corporate developments; the ability to attract and retain qualified members; market competition in the rapidly-evolving IT industry; general economic and business conditions, foreign exchange and other risks identified in this *Annual Information Form*, in the *Management's Discussion & Analysis* filed with Canadian securities authorities (filed on SEDAR at www.sedar.com), 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) 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.

Risks and Uncertainties

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

Risks Related to the Market

Economic risk

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

Risks Related to our Industry

The competition for contracts

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

The availability and retention of qualified IT professionals

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

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

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

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

Infringing on the intellectual property rights of others

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

Benchmarking provisions within certain contracts

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

Protecting our intellectual property rights

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

Risks Related to our Business

Risks associated with our growth strategy

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

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

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

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

The variability of financial results

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

Business mix variations

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

The financial and operational risks inherent in worldwide operations

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

Organizational challenges associated with our size

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

Taxes

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

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

Credit risk with respect to accounts receivable

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

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

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

Early termination risk

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

Cost estimation risks

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

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

Risks related to teaming agreements and subcontracts

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

Our partners' ability to deliver on their commitments

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

Guarantees risk

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

Risk related to human resources utilization rates

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

Client concentration risk

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

Government business risk

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

Regulatory risk

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

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

Legal claims made against our work

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

Information and infrastructure risks

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

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

Risk of harm to our reputation

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

Risks associated with the integration of new operations

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

Liquidity and funding risks

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

Foreign exchange risks

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

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

LEGAL PROCEEDINGS

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

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

TRANSFER AGENT AND REGISTRAR

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

MATERIAL CONTRACTS

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

- the Cooperation Agreement entered into by Logica and the Company on May 31, 2012;
- the Subscription Agreement entered into by the Caisse and the Company on May 31, 2012;
- the Subscription Receipt Agreement entered into by the Caisse, the Company and Computershare Trust Company of Canada, as subscription receipt agent, on May 31, 2012;
- the Registration Rights Agreement entered into by the Caisse and the Company on August 20, 2012; and
- the Term Loan Credit Agreement entered into by the Company and a syndicate of lenders on May 31, 2012, and the related Fee Letter and Syndication Letter.

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

AUDITORS

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 consolidated financial statements of the Company for the year ended September 30, 2012 together with the accompanying report of the auditor and one copy of any subsequent interim financial statements, (iii) a copy of the *Management Proxy Circular* dated December 10, 2012 and (iv) a copy of the business booklet and of the financial booklet of the *2012 Annual Report* of the Company.

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

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

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

1350 René-Lévesque Blvd. West
15th Floor
Montreal, Quebec
H3G 1T4
Canada
Telephone: (514) 841-3200
Fax: (514) 841-3299

APPENDIX A
CGI GROUP INC.
FUNDAMENTAL TEXTS

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

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



Fundamental Texts of CGI Group Inc.

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September 18, 2012
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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:

1. <u>Dream, Mission, Vision and Values</u>	2
2. <u>CGI Management Foundation</u>	12
3. <u>Documents and Policies Pertaining to Corporate Governance</u>	17
<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
4. <u>Codes of Ethics</u>	48
<u>4.1 Code of Ethics and Business Conduct</u>	49
<u>for members, officers and directors of CGI</u>	49
<u>4.2 Executive Code of Conduct</u>	70
<u>4.3 Guidelines on Timely Disclosure of Material Information and Transactions in</u>	
<u>Securities of CGI by Insiders</u>	73
<u>Appendix</u>	97



1. Dream, Mission, Vision and Values



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.

A. THE CGI DREAM

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

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

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

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

From this very basic idea grew an entire business philosophy.

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

B. THE CGI MISSION AND VISION

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

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

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

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

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

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. As members, we embrace our social responsibilities and contribute to the continuous development of the communities in which we live and work.

2. EMBRACING THE OBJECTIVES OF OUR CLIENTS

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

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

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

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

3. ADOPTING A CARING, HUMANE APPROACH TOWARDS OUR MEMBERS

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

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.

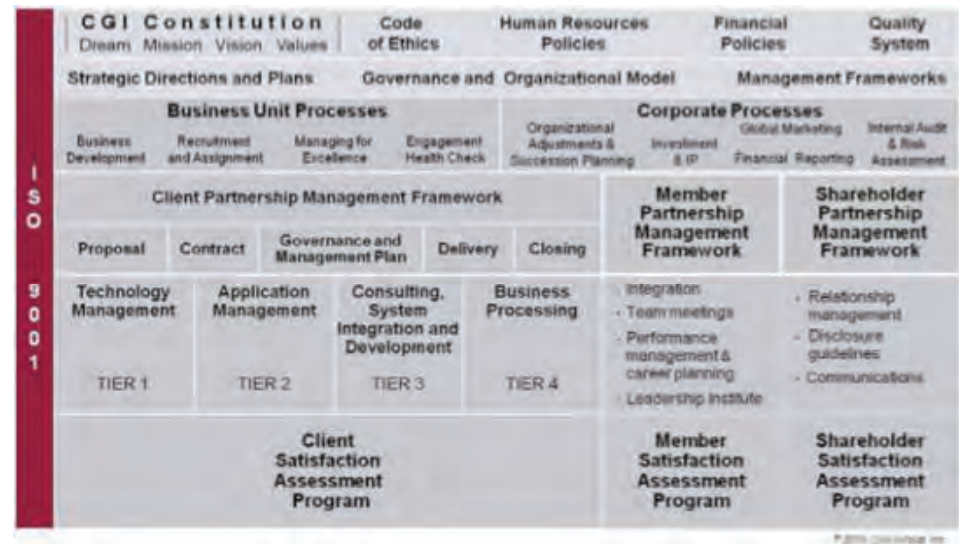


2. CGI Management Foundation



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.

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:

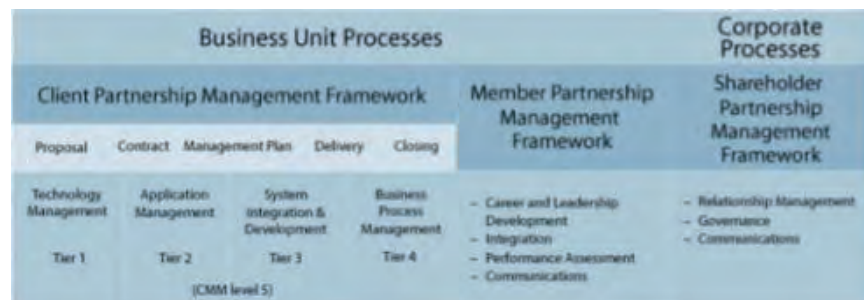
- 1) The Charters of the Board of Director and its committees;
- 2) the Codes of Ethics, to which members, officers and directors of the company must adhere;
- 3) the Operations Management Framework, which outlines the delegation framework with respect to decision making (e.g. who may authorize and sign 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 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



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.

- 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



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

IMPORTANT NOTE

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

1. VALUES, PHILOSOPHY, MISSION AND VISION

VALUES

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

PHILOSOPHY

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

MISSION

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

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

VISION

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

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

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

Accordingly, members are expected to observe the following policies:

Drug-Free Workplace

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

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

Restrictions on Alcohol Use

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

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

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

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

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

Accurate Timekeeping

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

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

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

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

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

Expense Reimbursement

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

BREACHES

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

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

5. CONFIDENTIAL INFORMATION AND INTELLECTUAL PROPERTY**DEFINITIONS****Confidential Information**

"Confidential Information" means information about the Company's business dealings, development strategies and financial results; products or processes; client lists; vendor lists or purchase prices; cost, pricing, marketing or service strategies; results of research and development work, technical know-how, manufacturing processes, computer software; reports and information related to mergers, acquisitions and divestitures. "Confidential Information" also includes information that relates to intellectual property and may include, but is not limited to: business strategies, product marketing and costing information and information provided by suppliers and competitors. In addition, the way the Company puts publicly-known information together, to achieve a particular result, is often a valuable trade secret.

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

- i) methodologies;

- 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.

LAWS COMBATTING BRIBERY OF PUBLIC OFFICIALS

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

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

EXPORT AND IMPORT LAWS

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

LAWS THAT PROTECT CLASSIFIED INFORMATION

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

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

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.

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 distances charges will be at the expense of CGI. For those who wish to submit incident reports online, a link to the incident reporting web site is provided on CGI's Enterprise Portal or members may access the incident reporting system directly at www.cgi-en.ethicspoint.com.

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 DISCLOSURE¹

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")² 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"³ and "material facts"⁴ 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.

¹ Definitions provided in Sections I and II apply only to those Sections.

² 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.

³ 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.

⁴ 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 material⁵, 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;

⁵ 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 material⁶. 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.

⁶ 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 known⁷. 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;

⁷ 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 relationship⁸ 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 investors⁹.

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;

⁸ 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.

⁹ 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"¹⁰.

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 disclosure¹¹, 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 ;

¹⁰ 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.

¹¹ 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 website¹² 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.

¹² 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)¹³ 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 Act¹⁴.

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.

¹³ Which became effective on October 23, 2000.

¹⁴ 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.

In addition, CGI insiders are required to declare any modifications or changes (whatever the percentage) to their holdings in CGI Securities within 5 days of such a change, except in certain limited exceptions. In this regard, an insider report must be completed and filed in SEDI. The insider of CGI who registers or causes to be registered any CGI Securities in the name of a third person shall file an insider report, except in the case of a bona fide transfer in guarantee. In such case and where the insider fails to file the report provided for by the Legislation, the third person shall file the report himself on becoming aware of the failure.

The obligation to complete insider reports shall continue for as long as the person qualifies as an insider.

An insider is required to file an amended insider profile within ten days of a change in the insider's name or relationship to CGI. If there is a change in any other information in the insider profile, an amended insider profile is only required at the time of the insider's next SEDI filing.

As a matter of law, the responsibility for filing and updating an electronic profile and for filing insider reports in SEDI lies solely with the insider. However, CGI's secretariat staff will send three days prior to the end of each month to each insider of the Company a reminder to complete an insider report, if necessary. It is recommended that each insider inform the Company's Corporate Secretary prior to completion of any transaction on CGI Securities.



Appendix



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.

Consolidated Financial Statements of

CGI GROUP INC.

For the years ended September 30, 2012 and 2011

Management's and Auditors' reports

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

The management of CGI Group Inc. ("the Company") is responsible for the preparation and integrity of the consolidated financial statements and the Management's Discussion and Analysis ("MD&A"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and necessarily include some amounts that are based on management's best estimates and judgment. Financial and operating data elsewhere in the MD&A are consistent with that contained in the accompanying consolidated financial statements.

To fulfill its responsibility, management has developed, and continues to maintain, systems of internal controls reinforced by the Company's standards of conduct and ethics, as set out in written policies to ensure the reliability of the financial information and to safeguard its assets. The Company's internal control over financial reporting and consolidated financial statements are subject to audit by the independent auditors, Ernst & Young LLP, whose report follows. They were appointed as independent auditors, by a vote of the Company's shareholders, to conduct an integrated audit of the Company's consolidated financial statements and of the Company's internal control over financial reporting. In addition, the Management Committee of the Company reviews the disclosure of corporate information and oversees the functioning of the Company's disclosure controls and procedures.

Members of the Audit and Risk Management Committee of the Board of Directors, all of whom are independent of the Company, meet regularly with the independent auditors and with management to discuss internal controls in the financial reporting process, auditing matters and financial reporting issues and formulates the appropriate recommendations to the Board of Directors. The independent auditors have unrestricted access to the Audit and Risk Management Committee. The consolidated financial statements and MD&A have been reviewed and approved by the Board of Directors.

(signed)

Michael E. Roach
President and Chief Executive Officer
November 27, 2012

(signed)

R. David Anderson
Executive Vice-President and Chief Financial Officer

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with accounting principles generally accepted in Canada.

The Company's internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in Canada, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and,
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

All internal control systems have inherent limitations; therefore, even where internal control over financial reporting is determined to be effective, it can provide only reasonable assurance. Projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We acquired Logica plc ("Logica") on August 20, 2012. We excluded from our assessment the internal control over financial reporting of Logica. Logica's results since the acquisition date are included in the September 30, 2012, consolidated financial statements of CGI and constituted approximately 58% of total assets as of September 30, 2012 (including intangible assets and goodwill), approximately 12% of revenue and a net loss of \$259,981,000 for the year then ended. See Note 24 to the consolidated financial statements for a discussion of this acquisition.

As of the end of the Company's 2012 fiscal year, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined the Company's internal control over financial reporting as at September 30, 2012, was effective.

The effectiveness of the Company's internal control over financial reporting as at September 30, 2012, has been audited by the Company's independent auditors, as stated in their report appearing on page 3.

(signed)

Michael E. Roach
President and Chief Executive Officer
November 27, 2012

(signed)

R. David Anderson
Executive Vice-President and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Shareholders of CGI Group Inc.

We have audited CGI Group Inc.'s (the "Company") internal control over financial reporting as of September 30, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("the COSO criteria"). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

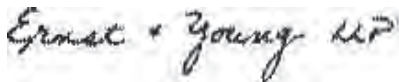
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Logica plc, which is included in the 2012 consolidated financial statements of the Company, and constituted approximately 58% of total assets as of September 30, 2012 (including intangible assets and goodwill), approximately 12% of revenue, and a net loss of \$259,981,000 for the year then ended. Our audit of internal control over financial reporting of CGI Group Inc. also did not include an evaluation of the internal control over financial reporting of Logica plc.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2012 based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as at and for the year ended September 30, 2012, and our report dated November 27, 2012 expressed an unqualified opinion thereon.



Ernst & Young LLP

Montréal, Canada
November 27, 2012

1. CPA auditor, CA, public accountancy permit No. 112431

CGI Group Inc. – Consolidated Financial Statements for the years ended September 30, 2012 and 2011

4

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENTS

To the Board of Directors and Shareholders of CGI Group Inc.

We have audited the accompanying consolidated financial statements of CGI Group Inc. (the “Company”), which comprise the consolidated balance sheets as of September 30, 2012 and 2011, and October 1, 2010 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended September 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the consolidated financial statements

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

Auditors’ responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

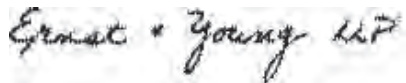
We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2012 and 2011, and October 1, 2010 and its financial performance and its cash flows for the years ended September 30, 2012 and 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CGI Group Inc.'s internal control over financial reporting as of September 30, 2012, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 27, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.



Ernst & Young LLP

Montréal, Canada
November 27, 2012

1. CPA auditor, CA, public accountancy permit No. 112431

CGI Group Inc. – Consolidated Financial Statements for the years ended September 30, 2012 and 2011

6

Consolidated Statements of Earnings
For the years ended September 30
(in thousands of Canadian dollars, except share data)

	2012 \$	2011 \$
Revenue	4,772,454	4,223,942
Operating expenses		
Costs of services, selling and administrative (Note 19)	4,226,859	3,690,960
Acquisition-related and integration costs (Note 24)	254,973	3,675
Finance costs (Note 21)	42,099	19,395
Finance income	(5,318)	(3,552)
Other income	(3,955)	(7,647)
Foreign exchange gain	(1,134)	(3,365)
Share of profit on joint venture	(3,996)	(13,359)
	4,509,528	3,686,107
Earnings before income taxes	262,926	537,835
Income tax expense (Note 23)	131,397	99,696
Net earnings	131,529	438,139
Earnings per share (Note 17)		
Basic earnings per share	0.50	1.65
Diluted earnings per share	0.48	1.59

See Notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income
For the years ended September 30
(in thousands of Canadian dollars)

	<u>2012</u>	<u>2011</u>
	\$	\$
Net earnings	<u>131,529</u>	<u>438,139</u>
Net unrealized (losses) gains on translating financial statements of foreign operations (net of income taxes)	<u>(20,195)</u>	12,275
Net unrealized gains (losses) on translating financial instruments designated as hedges of net investments in foreign operations (net of income taxes)	<u>10,766</u>	(4,695)
Net unrealized losses on cash flow hedges (net of income taxes)	<u>(11,615)</u>	(9,197)
Net unrealized actuarial gains (losses) (net of income taxes)	<u>5,210</u>	(632)
Net unrealized gains on investments available for sale (net of income taxes)	<u>987</u>	2,352
Other comprehensive (losses) gains	<u>(14,847)</u>	103
Comprehensive income	<u><u>116,682</u></u>	<u><u>438,242</u></u>

See Notes to the consolidated financial statements.

Consolidated Balance Sheets
(in thousands of Canadian dollars)

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Assets			
Current assets			
Cash and cash equivalents (Note 4)	113,103	136,211	108,529
Short-term investments	14,459	10,166	13,196
Accounts receivable (Note 5)	1,446,149	490,484	426,241
Work in progress	744,482	391,066	357,666
Prepaid expenses and other current assets	244,805	100,407	69,198
Income taxes	24,650	4,252	7,169
Total current assets before funds held for clients	2,587,648	1,132,586	981,999
Funds held for clients (Note 6)	202,407	247,622	248,695
Total current assets	2,790,055	1,380,208	1,230,694
Property, plant and equipment (Note 7)	500,995	249,901	236,632
Contract costs (Note 8)	167,742	107,242	133,109
Intangible assets (Note 9)	858,892	292,133	369,036
Other long-term assets (Note 10)	96,351	55,593	41,623
Deferred tax assets (Note 23)	219,590	9,882	22,888
Investment in joint venture	—	26,373	22,814
Goodwill (Note 11)	5,819,817	2,536,022	2,525,413
	<u>10,453,442</u>	<u>4,657,354</u>	<u>4,582,209</u>
Liabilities			
Current liabilities			
Bank overdraft (Note 4)	—	75,538	—
Accounts payable and accrued liabilities	1,156,737	303,641	297,801
Accrued compensation	539,779	183,842	185,651
Deferred revenue	443,596	152,938	143,302
Income taxes	177,030	51,822	85,534
Provisions (Note 12)	160,625	12,125	10,998
Current portion of long-term debt (Note 14)	52,347	896,012	114,577
Total current liabilities before clients' funds obligations	2,530,114	1,675,918	837,863
Clients' funds obligations	197,986	244,660	248,695
Total current liabilities	2,728,100	1,920,578	1,086,558
Deferred tax liabilities (Note 23)	171,130	149,394	188,860
Long-term provisions (Note 12)	216,507	27,672	9,265
Long-term debt (Note 14)	3,196,061	109,669	1,039,299
Retirement benefits obligations (Note 29)	118,078	7,035	6,228
Other long-term liabilities (Note 13)	601,232	93,775	102,764
	<u>7,031,108</u>	<u>2,308,123</u>	<u>2,432,974</u>
Equity			
Retained earnings	1,113,225	1,057,599	845,290
Accumulated other comprehensive (loss) income (Note 22)	(275)	14,572	14,469
Capital stock (Note 15)	2,201,694	1,178,559	1,195,069
Contributed surplus	107,690	98,501	94,407
	<u>3,422,334</u>	<u>2,349,231</u>	<u>2,149,235</u>
	<u>10,453,442</u>	<u>4,657,354</u>	<u>4,582,209</u>

See Notes to the consolidated financial statements.

Approved by the Board

(signed)
Michael E. Roach
Director

(signed)
Serge Godin
Director

Consolidated Statements of Changes in Equity
For the years ended September 30
(in thousands of Canadian dollars)

	Retained earnings \$	Accumulated other comprehensive (loss) income \$	Capital stock \$	Contributed surplus \$	Total equity \$
Balance as at September 30, 2011	1,057,599	14,572	1,178,559	98,501	2,349,231
Net earnings for the year	131,529	—	—	—	131,529
Other comprehensive loss for the year	—	(14,847)	—	—	(14,847)
	<u>1,189,128</u>	<u>(275)</u>	<u>1,178,559</u>	<u>98,501</u>	<u>2,465,913</u>
Share-based payment costs (Note 16c))	—	—	—	12,520	12,520
Income tax impact associated with stock options	—	—	—	12,626	12,626
Issuance of Class A subordinate shares, net of transaction costs (Note 15)	—	—	999,178	—	999,178
Exercise of stock options (Note 15)	—	—	64,033	(16,010)	48,023
Repurchase of Class A subordinate shares (Note 15)	(75,903)	—	(26,942)	—	(102,845)
Purchase of Class A subordinate shares held in trust (Note 15)	—	—	(14,252)	—	(14,252)
Sale of Class A subordinate shares held in trust (Note 15)	—	—	1,118	53	1,171
Balance as at September 30, 2012	<u>1,113,225</u>	<u>(275)</u>	<u>2,201,694</u>	<u>107,690</u>	<u>3,422,334</u>

	Retained earnings \$	Accumulated other comprehensive income \$	Capital stock \$	Contributed surplus \$	Total equity \$
Balance as at October 1, 2010	845,290	14,469	1,195,069	94,407	2,149,235
Net earnings for the year	438,139	—	—	—	438,139
Other comprehensive income for the year	—	103	—	—	103
	<u>1,283,429</u>	<u>14,572</u>	<u>1,195,069</u>	<u>94,407</u>	<u>2,587,477</u>
Share-based payment costs (Note 16c))	—	—	—	16,645	16,645
Income tax impact associated with stock options	—	—	—	1,790	1,790
Exercise of stock options (Note 15)	—	—	66,065	(14,341)	51,724
Repurchase of Class A subordinate shares (Note 15)	(225,019)	—	(80,009)	—	(305,028)
Purchase of Class A subordinate shares held in trust (Note 15)	—	—	(2,566)	—	(2,566)
Change in subsidiary investment	(811)	—	—	—	(811)
Balance as at September 30, 2011	<u>1,057,599</u>	<u>14,572</u>	<u>1,178,559</u>	<u>98,501</u>	<u>2,349,231</u>

See Notes to the consolidated financial statements.

Consolidated Statements of Cash Flows
For the years ended September 30
(tabular amounts only are in thousands of Canadian dollars)

	<u>2012</u> \$	<u>2011</u> \$
Operating activities		
Net earnings	131,529	438,139
Adjustments for:		
Amortization and depreciation (Note 20)	231,398	223,354
Deferred income taxes (Note 23)	(22,306)	(22,423)
Foreign exchange loss	158	(1,201)
Share-based payment costs (Note 16c)	12,520	16,645
Gain on sale of business (Note 24)	—	(3,655)
Gain on sale of investment in joint venture (Note 25)	(2,981)	—
Share of profit on joint venture	(3,996)	(13,359)
Loss on repayment of debt assumed in business acquisition (Note 24)	83,632	—
Dividend received from joint venture	7,350	9,800
Net change in non-cash working capital items (Note 26)	175,958	(77,298)
Cash provided by operating activities	<u>613,262</u>	<u>570,002</u>
Investing activities		
Net change in short-term investments	(5,203)	1,984
Business acquisition (including bank overdraft assumed) (Note 24)	(2,734,795)	(618)
Purchase of call options related to proposed acquisition (Note 24)	(7,146)	—
Proceeds from sale of investment in joint venture (Note 25)	26,000	—
Proceeds from sale of business (Note 24)	4,583	4,104
Purchase of property, plant and equipment	(64,555)	(64,980)
Additions to contract costs	(25,325)	(27,897)
Additions to intangible assets	(43,658)	(26,893)
Additions to other long-term assets	(2,208)	(2,510)
Purchase of long-term investments	(976)	(14,204)
Payment received from long-term receivable	4,249	—
Cash used in investing activities	<u>(2,849,034)</u>	<u>(131,014)</u>
Financing activities		
Net change in credit facilities	(158,618)	(104,278)
Increase of long-term debt	2,416,781	—
Repayment of long-term debt	(62,817)	(129,741)
Repayment of debt assumed in business acquisition (Note 24)	(891,354)	—
Settlement of forward contracts	50,171	(1,275)
Purchase of Class A subordinate shares held in trust (Note 15)	(14,252)	(2,566)
Sale of Class A subordinate shares held in a trust (Note 15)	1,171	—
Repurchase of Class A subordinate shares (Note 15)	(102,845)	(305,028)
Issuance of Class A subordinate shares, net of transaction costs	1,047,243	52,091
Change in subsidiary investment	—	(811)
Cash provided by (used in) financing activities	<u>2,285,480</u>	<u>(491,608)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	2,722	4,764
Net increase (decrease) in cash and cash equivalents net of bank overdraft	52,430	(47,856)
Cash and cash equivalents net of bank overdraft, beginning of period	60,673	108,529
Cash and cash equivalents net of bank overdraft, end of period (Note 4)	<u><u>113,103</u></u>	<u><u>60,673</u></u>

Supplementary cash flow information (Note 26)

See Notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

1. Description of business

CGI Group Inc. (the “Company”), directly or through its subsidiaries, manages information technology services (“IT services”) as well as business process services (“BPS”) to help clients effectively realize their strategies and create added value. The Company’s services include the management of IT and business processes (“outsourcing”), systems integration and consulting including the sale of software licenses. The Company was incorporated under Part IA of the Companies Act (Québec) predecessor to the Business Corporations Act (Québec) which came into force on February 14, 2011 and its shares are publicly traded. The executive and registered office of the Company is situated at 1350, René-Lévesque Blvd. West, Montréal, Québec, Canada, H3G 1T4.

2. Basis of preparation

These consolidated financial statements represent the Company’s first annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRS 1, “First-time Adoption of International Financial Reporting Standards”, as issued by the International Accounting Standards Board (“IASB”). In addition, the consolidated financial statements have been prepared in accordance with the accounting policies set out in Note 3, “Summary of significant accounting policies”, which are based on IFRS and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations. The accounting policies were consistently applied to all periods presented.

The first date at which IFRS was applied was October 1, 2010. The consolidated financial statements were previously prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). However, Canadian GAAP differs in some areas from IFRS. The comparative figures presented were adjusted to reflect these adjustments. Reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on consolidated equity, earnings, comprehensive income, cash flows and balance sheets are provided in Note 33, “Transition to IFRS”.

The Company’s consolidated financial statements for the years ended September 30, 2012 and 2011 were authorized for issue by the Board of Directors on November 27, 2012.

3. Summary of significant accounting policies

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated. The Company accounts for its jointly-controlled investments using the equity method.

BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, which have been measured at fair value as described below.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

3. Summary of significant accounting policies (continued)

USE OF ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires management to make estimates and judgements that affect the reported amounts of assets, liabilities and equity and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Because of the use of estimates and judgements inherent in the financial reporting process, actual results could differ. Significant estimates and judgements include purchase price allocation of business combinations, income taxes, contingencies and provisions, revenue recognition (including provisions for estimated contract losses), share-based payments, investment tax credits and other government programs, defined benefits plan obligations and retirement benefits assets, impairment of property, plant and equipment, intangible assets and goodwill. A description of the significant estimates and judgements is included in the respective sections within the notes to the consolidated financial statements.

REVENUE RECOGNITION, WORK IN PROGRESS AND DEFERRED REVENUE

The Company generates revenue principally through the provision of IT services and BPS as described in Note 1.

The Company provides services and products under arrangements that contain various pricing mechanisms. The Company recognizes revenue when the following criteria are met: there is clear evidence that an arrangement exists, the amount of revenue and related costs can be measured reliably, it is probable that future economic benefits will flow to the Company, the stage of completion can be measured reliably where services are delivered and the significant risks and rewards of ownership, including effective control, are transferred to clients where products are sold. Revenue is measured at the fair value of the consideration received or receivable net of discounts, volume rebates and sales related taxes.

Some of the Company's arrangements may include client acceptance clauses. Each clause is analyzed to determine whether the earnings process is complete when the service is performed. Formal client sign-off is not always necessary to recognize revenue provided that the Company objectively demonstrates that the criteria specified in the acceptance provisions are satisfied. Some of the criteria reviewed include historical experience with similar types of arrangements, whether the acceptance provisions are specific to the client or are included in all arrangements, the length of the acceptance term and historical experience with the specific client.

Revenue from benefits-funded arrangements is recognized only to the extent that it is probable that the benefit stream associated with the transaction will generate amounts sufficient to fund the value on which revenue recognition is based.

Revenue from sales of third party vendor products, such as software licenses and hardware, or services is recorded gross when the Company is a principal to the transaction and is recorded net of costs when the Company is acting as an agent between the client and vendor. Factors generally considered to determine whether the Company is a principal or an agent are if the Company is the primary obligor to the client, if it adds meaningful value to the vendor's product or service or if it assumes delivery and credit risks.

Estimated losses on revenue-generating contracts are recognized in the period when it is determined that a loss is probable. They are presented in accounts payable and accrued liabilities and in other long-term liabilities. Contract losses are measured at the amount by which the estimated total costs exceed the estimated total revenue from the contract.

3. Summary of significant accounting policies (continued)

REVENUE RECOGNITION, WORK IN PROGRESS AND DEFERRED REVENUE (CONTINUED)

Multiple component arrangements

The Company's arrangements often include a mix of the services and products listed below. If an arrangement involves the provision of multiple components, the total arrangement value is allocated to each separately identifiable component based on its relative selling price. A component is considered to be separately identifiable if it has value to the client on a stand-alone basis. Assessing whether an arrangement involving the provision of multiple components has separately identifiable components requires judgement by management. When estimating selling price, the Company maximizes the use of observable prices which are established using the Company's prices for same or similar components. When observable prices are not available, the Company estimates selling prices based on its best estimate of selling price. The best estimate of selling price is the price at which the Company would normally expect to offer the services or products and is established by considering a number of internal and external factors including, but not limited to, geographies, the Company's pricing policies, internal costs and margins. The appropriate revenue recognition method is applied for each separately identifiable component as described below.

Outsourcing

Revenue from outsourcing and BPS arrangements is generally recognized as the services are provided at the contractually stated price, unless there is a better measure of performance or delivery.

Systems integration and consulting services

Revenue from systems integration and consulting services under time and material arrangements is recognized as the services are rendered, and revenue under cost-based arrangements is recognized as reimbursable costs are incurred.

Revenue from systems integration and consulting services under fixed-fee arrangements where the outcome of the arrangements can be estimated reliably is recognized using the percentage-of-completion method over the service periods. The Company uses the labour costs or labour hours to measure the progress towards completion. This method relies on estimates of total expected labour costs or total expected labour hours to complete the service, which are compared to labour costs or labour hours incurred to date, to arrive at an estimate of the percentage of revenue earned to date. Management regularly reviews underlying estimates of total expected labour costs or hours. Revisions to estimates due to volume variations, changes in technology and other factors which may not be foreseen at inception are reflected in the consolidated statements of earnings in the period in which the facts that gave rise to the revision become known. If the outcome of an arrangement cannot be estimated reliably, revenue is recognized to the extent of arrangement costs incurred that are likely to be recoverable.

Software licenses

Most of the Company's software license arrangements include other services such as implementation, customization and maintenance. For these types of arrangements, revenue from a software license is recognized upon delivery if it has been identified as a separately identifiable component. Otherwise, it is combined with the implementation and customization services and is accounted for as described in "Systems integration and consulting services" above. Revenue from maintenance services for software licenses sold and implemented is recognized ratably over the term of the maintenance period.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

3. Summary of significant accounting policies (continued)

REVENUE RECOGNITION, WORK IN PROGRESS AND DEFERRED REVENUE (CONTINUED)

Work in progress and deferred revenue

Amounts recognized as revenue in excess of billings are classified as work in progress. Amounts received in advance of the delivery of products or performance of services are classified as deferred revenue.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of unrestricted cash and short-term investments having an initial maturity of three months or less.

SHORT-TERM INVESTMENTS

Short-term investments, comprised generally of term deposits, have remaining maturities over three months, but not more than one year, at the date of purchase.

FUNDS HELD FOR CLIENTS AND CLIENTS' FUNDS OBLIGATIONS

In connection with the Company's payroll, tax filing and claims services, the Company collects funds for payment of payroll, taxes and claims, temporarily holds such funds until payment is due, remits the funds to the clients' employees, appropriate tax authorities or claim holders, files federal and local tax returns and handles related regulatory correspondence and amendments. The funds held for clients include short-term and long-term bonds and cash. The Company presents the funds held for clients and related obligations separately. Funds held for clients are classified as current assets since, based upon management's intentions, these funds are held solely for the purpose of satisfying the clients' funds obligations, which will be repaid within one year of the consolidated balance sheet date.

Interest income earned and realized gains and losses on the disposal of bonds are recorded in revenue in the period that the income is earned, since the collecting, holding and remitting of these funds are critical components of providing these services.

PROPERTY, PLANT AND EQUIPMENT ("PP&E")

PP&E, including those items under finance leases, are recorded at cost and are depreciated over their estimated useful lives using the straight-line method.

Land and buildings	10 to 40 years
Leasehold improvements	Lesser of the useful life or lease term
Furniture, fixtures and equipment	3 to 20 years
Computer equipment	3 to 5 years

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or development of a qualifying asset are capitalized as part of the cost of the respective asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed in the period they occur.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

3. Summary of significant accounting policies (continued)

CONTRACT COSTS

Contract costs are mainly incurred when acquiring or implementing long-term outsourcing contracts. Contract costs are comprised primarily of incentives and transition costs and are recorded at cost.

Incentives

Occasionally, incentives are granted to clients upon the signing of outsourcing contracts. These incentives are primarily granted either in the form of cash payments (including the excess of the amount paid over the fair value of PP&E or intangible assets acquired from client in connection with the outsourcing contract) or as an issuance of equity instruments. In the case of equity instruments, cost is measured at the estimated fair value at the time they are issued.

Transition costs

Transition costs consist of costs associated with the installation of systems and processes incurred after the award of outsourcing contracts, relocation of transitioned employees and exit from client facilities. Under BPS contracts, the costs consist primarily of costs related to activities such as the conversion of the client's applications to the Company's platforms. These costs are comprised essentially of labour costs, including compensation and related fringe benefits, as well as subcontractor costs.

Pre-contract costs

Pre-contract costs associated with acquiring or implementing long-term outsourcing contracts are expensed as incurred except where it is virtually certain that the contracts will be awarded and the costs are directly related to the acquisition of the contract.

Amortization of contract costs

Contract costs are amortized as services are provided. Amortization of transition costs and pre-contract costs is included in costs of services, selling and administrative and amortization of incentives is recorded as a reduction of revenue.

Impairment of contract costs

When a contract is not expected to be profitable, the expected loss is first applied to impair the related contract costs, with the excess recorded as a provision and presented in other long-term liabilities. At a future date if the contract returns to profitability, the previously recognized impairment loss must be reversed. The reversal of the impairment loss is limited so that the carrying amount does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the contract costs in prior years.

INTANGIBLE ASSETS

Intangible assets consist mainly of internal-use software, business solutions, software licenses and client relationships. Internal-use software, business solutions and software licenses are recorded at cost. Business solutions developed internally and marketed are capitalized when they meet specific capitalization criteria related to technical, market and financial feasibility. Business solutions, software licenses and client relationships acquired through business combinations are initially recorded at their fair value based on the present value of expected future cash flows, which involve making estimates about the future cash flows, as well as discount rates.

Amortization of intangible assets

The Company amortizes its intangible assets using the straight-line method over the following estimated useful lives:

Internal-use software	2 to 7 years
Business solutions	2 to 10 years
Software licenses	3 to 8 years
Client relationships and other	2 to 10 years

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

3. Summary of significant accounting policies (continued)

IMPAIRMENT OF PP&E, INTANGIBLE ASSETS AND GOODWILL

Timing of impairment testing

The carrying values of PP&E, intangible assets and goodwill are reviewed for impairment when events or changes in circumstances indicate that the carrying value may be impaired. The Company assesses at each reporting date whether any such events or changes in circumstances exist. The carrying values of PP&E and intangible assets not available for use and goodwill are tested for impairment annually as at September 30.

Impairment testing

If any indication of impairment exists or when annual impairment testing for an asset is required, the Company estimates the recoverable amount of the asset or cash-generating unit ("CGU") to which the asset relates to determine the extent of any impairment loss. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use ("VIU") to the Company. The Company generally uses the VIU. In assessing VIU, estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If the recoverable amount of an asset or a CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of earnings.

For goodwill impairment testing purposes, the CGU that represents the lowest level within the Company at which management monitors goodwill is the operating segment level (Note 27). Goodwill acquired through business combinations is allocated to the CGU that is expected to benefit from synergies of the related business combination.

The VIU calculation for the recoverable amount of the CGUs to which goodwill has been allocated includes estimates about their future financial performance over a period of five years. Key assumptions used in the VIU calculations are the discount rate applied and the long-term growth rate of net operating cash flows. In determining these assumptions, management has taken into consideration the current economic climate and its resulting impact on expected growth and discount rates. In determining the discount rate applied to a CGU, management uses the Company's weighted average cost of capital as a starting point and applies adjustments to take into account specific tax rates, geographical risk and any additional risks specific to the CGU. The cash flow projections reflect management's expectations of the operating performance of the CGU and growth prospects in the CGU's market.

For impaired assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of earnings. Impairment losses relating to goodwill cannot be reversed in future periods.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

3. Summary of significant accounting policies (continued)

OTHER LONG-TERM ASSETS

Other long-term assets consist mainly of insurance contracts held to fund defined benefit pension and life assurance arrangements, deferred compensation plan assets, long-term investments, retirement benefits assets, long-term receivables, deferred financing fees, long-term maintenance agreements and forward contracts. Long-term investments, comprised of bonds, are classified as long-term based on management's intentions.

BUSINESS COMBINATIONS

The Company accounts for its business combinations using the acquisition method. Under this method the consideration transferred is measured at fair value. Acquisition-related and integration costs associated with the business combination are expensed as incurred. The Company recognizes goodwill as of the acquisition date as the excess of the cost of the acquisition over the net identifiable assets acquired and liabilities assumed at their acquisition-date fair values. The determination of fair value involves making estimates relating to acquired intangible assets, PP&E, litigation and other contingency reserves. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement period adjustments. The measurement period is the period between the date of acquisition and the date where all significant information necessary to determine the fair values are available, not to exceed 12 months. All other subsequent changes are recognized in the consolidated statements of earnings. For all business acquisitions, the Company records the results of operations of the acquired entities as of their respective effective acquisition dates.

EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of shares outstanding during the period. Diluted earnings per share is determined using the treasury stock method to evaluate the dilutive effect of stock options and performance share units ("PSUs").

RESEARCH AND SOFTWARE DEVELOPMENT COSTS

Research costs are charged to earnings in the period in which they are incurred, net of related tax credits. Software development costs are charged to earnings in the year they are incurred, net of related tax credits, unless they meet specific capitalization criteria related to technical, market and financial feasibility.

TAX CREDITS

The Company follows the income approach to account for tax credits, whereby investment tax credits are recorded when there is a reasonable assurance that the assistance will be received and that the Company will comply with all relevant conditions. Under this method, tax credits related to operating expenditures are recorded as a reduction of the related expense and recognized in the period in which the related expenditures are charged to operations. Tax credits related to capital expenditures are recorded as a reduction of the cost of the related asset. The tax credits recorded are based on management's best estimates of amounts expected to be received and are subject to audit by the taxation authorities.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

3. Summary of significant accounting policies (continued)

INCOME TAXES

Income taxes are accounted for using the liability method of accounting.

Current income taxes are recognized with respect to the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and liabilities are determined based on deductible or taxable temporary differences between the amounts reported for financial statements purposes and tax values of the assets and liabilities using enacted or substantively enacted tax rates that will be in effect for the year in which the differences are expected to be recovered or settled. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are recognized directly in earnings, other comprehensive income or in equity based on the classification of the item to which they relate.

In the course of the Company's operations, uncertainties exist with respect to interpretation of complex tax regulations and the amount and timing of future taxable income. When a tax position is uncertain, the Company recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Company's provisions consist of liabilities for leases of premises that the Company has vacated, litigation and claim provisions arising in the ordinary course of business and decommissioning liabilities for operating leases of office buildings where certain arrangements require premises to be returned to their original state at the end of the lease term. The Company also records restructuring provisions related to business acquisition.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are discounted using a current pre-tax rate when the impact of the time value of money is material. The increase in the provision due to the passage of time is recognized as finance cost.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

3. Summary of significant accounting policies (continued)

TRANSLATION OF FOREIGN CURRENCIES

The Company's consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

Foreign currency transactions and balances

Revenue, expenses and non-monetary assets and liabilities denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the balance sheet date. Realized and unrealized translation gains and losses are reflected in the consolidated statements of earnings.

Foreign operations

For foreign operations that have functional currencies different from the Company, assets and liabilities denominated in a foreign currency are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at average exchange rates prevailing during the period. Resulting unrealized gains or losses are reported as net unrealized gains or losses on translating financial statements of foreign operations in other comprehensive income.

For the accounts of foreign operations with the same functional currency as the Company, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date and non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at average rates for the period. Translation exchange gains or losses of such operations are reflected in the consolidated statements of earnings.

SHARE-BASED PAYMENTS

The Company operates equity-settled stock option and PSU plans under which the Company receives services from employees and others as consideration for equity instruments.

The fair value of those share-based payments is established on the grant date using the Black-Scholes option pricing model for the stock options and the closing price of Class A subordinate shares of the Company on the Toronto Stock Exchange ("TSX") for the PSUs. The number of stock options and PSUs expected to vest are estimated on the grant date and subsequently revised on a periodic basis. The fair values, adjusted for expectations related to performance conditions, are recognized as share-based payment costs in earnings with a corresponding credit to contributed surplus on a graded-vesting basis over the vesting period.

When stock options are exercised, any consideration paid by employees and members of the Board of Directors is credited to capital stock and the recorded fair value of the stock option is removed from contributed surplus and credited to capital stock. When PSUs are exercised, the recorded fair value of PSUs is removed from contributed surplus and credited to capital stock.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

3. Summary of significant accounting policies (continued)

FINANCIAL INSTRUMENTS

All financial assets designated as held-to-maturity and loans and receivables, as well as financial liabilities designated as other liabilities, are initially measured at their fair values and subsequently at their amortized cost using the effective interest rate method. All financial assets and liabilities designated as fair value through earnings ("FVTE") are measured at their fair values and gains and losses related to periodic revaluations are recorded in the consolidated statements of earnings. Financial instruments may be designated on initial recognition as FVTE if any of the following criteria are met: i) the financial instrument contains one or more embedded derivatives that otherwise would have to be accounted for separately; ii) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial asset or liability or recognizing the gains and losses on them on a different basis; or iii) the financial asset and financial liability are part of a group of financial assets or liabilities that is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. All financial assets designated as available for sale are measured at their fair value and any unrealized gains and losses, net of applicable income taxes, are reported in other comprehensive income. Interest income earned and realized gains and losses on the sale of available for sale assets are recorded in the consolidated statements of earnings.

Transaction costs are comprised primarily of legal, accounting and other costs directly attributable to the issuance of the respective financial assets and liabilities. Transaction costs are capitalized to the cost of financial assets and liabilities classified as other than FVTE.

Financial assets are derecognized if the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for derecognition. The transfer qualifies for derecognition if substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company has made the following classifications:

FVTE

Cash and cash equivalents, short-term investments (other than those included in funds held for clients), derivatives (unless they qualify for hedge accounting, refer to "Derivative Financial Instruments and Hedging Transactions") and bank overdraft. In addition, deferred compensation plan assets were designated by management as FVTE upon initial recognition as this reflected management's investment strategy.

Loan and receivables

Trade accounts receivable and cash included in funds held for clients.

Available for sale

Short-term and long-term bonds included in funds held for clients and long-term investments.

Other liabilities

Accounts payable and accrued liabilities, accrued compensation, long-term debt, excluding obligations under finance leases, and clients' funds obligations.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

3. Summary of significant accounting policies (continued)

FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

Fair value measurements recognized in the balance sheet are categorized in accordance with the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1, but that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

All financial assets and liabilities measured at fair value are categorized in Level 1, except for derivatives, investments included in funds held for clients and long-term investments, which are categorized in Level 2.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency exchange risks.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in the consolidated statements of earnings unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statements of earnings depends on the nature of the hedge relationship.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The cash flows of the hedging transactions are classified in the same manner as the cash flows of the position being hedged.

Hedges on net investments in foreign operations

The Company uses cross-currency swaps and foreign currency denominated long-term debt to hedge portions of the Company's net investments in its U.S and European operations. Foreign exchange translation gains or losses on the net investments and the effective portions of gains or losses on instruments hedging the net investments are recorded in other comprehensive income. To the extent that the hedge is ineffective, such differences are recognized in consolidated statements of earnings. When the hedged net investment is disposed of, the relevant amount in the other comprehensive income is transferred to earnings as part of the gain or loss on disposal.

Cash flow hedges on future revenue

The Company has also entered into various foreign currency forward contracts to hedge the variability in the foreign currency exchange rates. These hedges were documented as cash flow hedges and no component of the derivative instruments' fair value is excluded from the assessment and measurement of hedge effectiveness.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

3. Summary of significant accounting policies (continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

Cash flow hedges on future revenue (continued)

The effective portion of the change in fair value of the derivative instruments is recognized in other comprehensive income and the ineffective portion, if any, in the consolidated statements of earnings. The effective portion of the change in fair value of the derivatives is reclassified out of other comprehensive income into the consolidated statements of earnings as an adjustment to revenue when the hedged revenue is recognized.

Cash flow hedges on unsecured committed term loan credit facility

The Company has entered into interest rate swaps to hedge the cash flow exposure of the issued variable rate unsecured committed term loan credit facility. Under the interest rate swaps, the Company receives a variable rate of interest and pays interest at a fixed rate on the notional amount.

The hedges were documented as cash flow hedges and no component of the derivative instruments' fair value are excluded from the assessment and measurement of hedge effectiveness.

Fair value hedges on Senior U.S. unsecured notes

The Company entered into interest rate swap to hedge the fair value exposure of the issued fixed rate Senior U.S. unsecured notes.

The changes in the fair value of the interest rate swaps are recognized in the consolidated statements of earnings as finance costs. The changes in the fair value of the hedged items attributable to the risk hedged is recorded as part of the carrying value of the Senior U.S. unsecured notes and are also recognized in the consolidated statements of earnings as finance costs. If the hedged items are derecognized, the unamortized fair value is recognized immediately in the consolidated statements of earnings.

The forward contracts, the cross-currency swaps and the interest rate swaps used as a cash flow hedging item are derivative instruments and, therefore, are recorded at fair value in the consolidated balance sheets under other current assets, other long-term assets, accrued liabilities or other long-term liabilities. Valuation models, such as discounted cash flow analysis using observable market inputs, are utilized to determine the fair values of the derivative instruments.

3. Summary of significant accounting policies (continued)

EMPLOYEE BENEFITS

The Company operates retirement benefit plans of both a defined contribution and defined benefit nature. Retirement benefit plans that are funded by the payment of insurance premiums are treated as defined contribution plans unless the Company has an obligation either to pay the benefits directly when they fall due or to pay further amounts if assets accumulated with the insurer do not cover all future employee benefits. In such circumstances, the plan is treated as a defined benefit plan. The cost of defined contribution plans is charged to the consolidated statements of earnings on the basis of contributions payable by the Company during the year. For defined benefits plans, the defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The retirement benefit obligations in the consolidated balance sheets represent the present value of the defined benefit obligation as reduced by the fair value of plan assets. The retirement benefits assets are recognized to the extent that the Company can benefit from refunds or a reduction in future contributions.

Insurance policies are treated as plan assets of a defined benefit plan if the proceeds of the policy:

- Can only be used to fund employee benefits;
- Are not available to the Company's creditors; and
- Either cannot be paid to the Company unless the proceeds represent surplus assets not needed to meet all the benefit obligations or are a reimbursement for benefits already paid by the Company.

Insurance policies that do not meet the above criteria are treated as non-current investments and are held at fair value as a non-current financial asset in the consolidated balance sheets.

The current service cost is recognized in the consolidated statements of earnings as an employee benefit expense. The interest cost resulting from the increase in the present value of the defined benefit obligations over time and the expected return on plan assets, is recognized as net interest expense or income. Actuarial gains and losses arising from experience adjustments or changes in actuarial assumptions are charged or credited to the other comprehensive income in the period in which they arise.

FUTURE ACCOUNTING STANDARD CHANGES

The following standards have been issued but are not yet effective:

- IFRS 9, "Financial Instruments", covers the classification and measurement of financial assets and financial liabilities.
- IFRS 10, "Consolidated Financial Statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company's consolidated financial statements.
- IFRS 12, "Disclosure of Interests in Other Entities", provides guidance on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.
- IFRS 13, "Fair Value Measurement", provides guidance on fair value measurements by providing a definition of fair value and a single source of fair value measurement and disclosure requirements.
- IAS 1, "Presentation of Financial Statements", was amended to require grouping together items within the statement of comprehensive income that may be reclassified to the statement of income.
- IAS 19, "Employee Benefits", was amended to adjust the calculation of the financing cost component of defined benefit plans and to enhance disclosure requirements.

Other than IFRS 9, the above standards are effective October 1, 2013, with earlier application permitted. IFRS 9 is effective October 1, 2015, also with earlier application permitted. The Company is currently evaluating the impact of these standards on its consolidated financial statements.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

4. Cash and cash equivalents and bank overdraft

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Cash	86,060	95,643	22,061
Cash equivalents	27,043	40,568	86,468
Cash and cash equivalents	113,103	136,211	108,529
Bank overdraft	—	(75,538)	—
	<u>113,103</u>	<u>60,673</u>	<u>108,529</u>

5. Accounts receivable

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Trade	1,272,325	387,229	340,957
Other ¹	173,824	103,255	85,284
	<u>1,446,149</u>	<u>490,484</u>	<u>426,241</u>

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 \$106,491,000, \$75,896,000 and \$54,624,000 of other accounts receivable in 2012, 2011 and 2010, respectively.

The fiscal measures under the Québec Development of E-Business program enable corporations with an establishment in the province of Québec that carry out eligible activities in the technology sector to obtain a refundable tax credit equal to 30% of eligible salaries, up to a maximum of \$20,000 per year per eligible employee until December 31, 2015.

6. Funds held for clients

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Cash	11,670	67,140	248,695
Short-term bonds	—	10,070	—
Long-term bonds	190,737	170,412	—
	<u>202,407</u>	<u>247,622</u>	<u>248,695</u>

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

7. Property, plant and equipment

	Land and buildings \$	Leasehold improvements \$	Furniture, fixtures and equipment \$	Computer equipment \$	Total \$
Cost					
As at September 30, 2011	14,773	125,808	84,046	293,944	518,571
Additions/transfers	23,993	5,021	8,980	58,891	96,885
Additions – business acquisition (Note 24)	20,456	84,952	106,974	38,426	250,808
Disposals/transfers ¹	—	(9,344)	(2,305)	(46,537)	(58,186)
Foreign currency translation adjustment	308	427	1,723	(4,146)	(1,688)
As at September 30, 2012	59,530	206,864	199,418	340,578	806,390
Accumulated amortization					
As at September 30, 2011	4,047	65,678	31,767	167,178	268,670
Amortization expense (Note 20)	1,236	18,655	16,717	56,445	93,053
Disposals/transfers ¹	—	(7,052)	(2,274)	(44,580)	(53,906)
Foreign currency translation adjustment	15	(384)	668	(2,721)	(2,422)
As at September 30, 2012	5,298	76,897	46,878	176,322	305,395
Net carrying amount as at September 30, 2012	54,232	129,967	152,540	164,256	500,995

	Land and buildings \$	Leasehold improvements \$	Furniture, fixtures and equipment \$	Computer equipment \$	Total \$
Cost					
As at October 1, 2010	17,309	139,522	75,334	255,182	487,347
Additions/transfers	154	15,479	16,602	72,443	104,678
Disposals/transfers ¹	(2,735)	(29,011)	(7,432)	(34,064)	(73,242)
Foreign currency translation adjustment	45	(182)	(458)	383	(212)
As at September 30, 2011	14,773	125,808	84,046	293,944	518,571
Accumulated amortization					
As at October 1, 2010	4,461	74,419	30,065	141,770	250,715
Amortization expense (Note 20)	199	17,260	8,482	53,083	79,024
Disposals/transfers ¹	(628)	(25,975)	(6,641)	(28,003)	(61,247)
Foreign currency translation adjustment	15	(26)	(139)	328	178
As at September 30, 2011	4,047	65,678	31,767	167,178	268,670
Net carrying amount as at September 30, 2011	10,726	60,130	52,279	126,766	249,901

¹ Includes derecognition of fully depreciated assets of \$32,738,000 (\$38,914,000 in 2011).

Property, plant and equipment include the following assets acquired under finance leases:

	As at September 30, 2012			As at September 30, 2011			As at October 1, 2010		
	Cost \$	Accumulated amortization \$	Net carrying amount \$	Cost \$	Accumulated amortization \$	Net carrying amount \$	Cost \$	Accumulated amortization \$	Net carrying amount \$
Furniture, fixtures and equipment	16,909	5,198	11,711	12,521	2,812	9,709	9,258	1,551	7,707
Computer equipment	103,759	52,201	51,558	87,688	40,550	47,138	79,058	33,645	45,413
	120,668	57,399	63,269	100,209	43,362	56,847	88,316	35,196	53,120

CGI Group Inc. – Consolidated Financial Statements for the years ended September 30, 2012 and 2011

26

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

8. Contract costs

	As at September 30, 2012			As at September 30, 2011			As at October 1, 2010		
	Cost	Accumulated amortization	Net carrying amount	Cost	Accumulated amortization	Net carrying amount	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Incentives	102,061	81,425	20,636	101,599	72,622	28,977	142,696	107,766	34,930
Transition costs	258,778	111,672	147,106	181,559	103,294	78,265	201,413	103,234	98,179
	<u>360,839</u>	<u>193,097</u>	<u>167,742</u>	<u>283,158</u>	<u>175,916</u>	<u>107,242</u>	<u>344,109</u>	<u>211,000</u>	<u>133,109</u>

CGI Group Inc. – Consolidated Financial Statements for the years ended September 30, 2012 and 2011

27

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

9. Intangible assets

	Internal-use software \$	Business solutions \$	Software licenses \$	Client relationships and other \$	Total \$
Cost					
As at September 30, 2011	90,775	299,788	162,699	390,374	943,636
Additions/transfers	4,158	—	19,499	—	23,657
Additions – internally developed	—	35,360	—	—	35,360
Additions – business acquisition (Note 24)	33,812	36,392	—	533,479	603,683
Disposals/transfers ¹	(4,012)	(8,099)	(5,115)	(29,999)	(47,225)
Foreign currency translation adjustment	(260)	(8,049)	(1,151)	(1,136)	(10,596)
As at September 30, 2012	124,473	355,392	175,932	892,718	1,548,515
Accumulated amortization					
As at September 30, 2011	71,510	213,780	119,051	247,162	651,503
Amortization expense (Note 20)	9,133	21,770	18,472	50,299	99,674
Disposals/transfers ¹	(2,062)	(8,917)	(4,302)	(31,811)	(47,092)
Foreign currency translation adjustment	(364)	(6,316)	(592)	(7,190)	(14,462)
As at September 30, 2012	78,217	220,317	132,629	258,460	689,623
Net carrying amount as at September 30, 2012	46,256	135,075	43,303	634,258	858,892

	Internal-use software \$	Business solutions \$	Software licenses \$	Client relationships and other \$	Total \$
Cost					
As at October 1, 2010	88,153	284,475	172,736	414,199	959,563
Additions/transfers	6,503	—	21,354	—	27,857
Additions – internally developed	—	14,975	—	—	14,975
Modifications to purchase price allocation	—	—	—	(1,743)	(1,743)
Disposals/transfers ¹	(4,075)	(1,849)	(31,699)	(23,182)	(60,805)
Foreign currency translation adjustment	194	2,187	308	1,100	3,789
As at September 30, 2011	90,775	299,788	162,699	390,374	943,636
Accumulated amortization					
As at October 1, 2010	64,749	178,400	123,036	224,342	590,527
Amortization expense	10,506	23,766	18,921	42,979	96,172
Disposals/transfers ¹	(3,818)	(1,849)	(23,062)	(21,675)	(50,404)
Impairment	—	11,719	—	—	11,719
Foreign currency translation adjustment	73	1,744	156	1,516	3,489
As at September 30, 2011	71,510	213,780	119,051	247,162	651,503
Net carrying amount as at September 30, 2011	19,265	86,008	43,648	143,212	292,133

¹ Includes derecognition of fully depreciated assets of \$45,857,000 (\$32,183,000 in 2011).

All intangible assets are subject to amortization.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

10. Other long-term assets

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Insurance contracts held to fund defined benefit pension and life assurance arrangements (Note 29)	19,122	—	—
Deferred compensation plan assets (Note 29)	18,878	16,452	16,318
Long-term investments	15,533	15,309	—
Retirement benefits assets (Note 29)	9,165	—	—
Long-term receivables	8,502	4,610	—
Deferred financing fees	5,042	1,077	2,360
Long-term maintenance agreements	4,891	5,017	4,904
Forward contracts (Note 31)	2,098	6,179	13,317
Deposits and other	13,120	6,949	4,724
	<u>96,351</u>	<u>55,593</u>	<u>41,623</u>

11. Goodwill

Due to the change in operating segments during the year (Note 27), the Company reallocated goodwill to the revised CGUs using relative fair value and conducted a goodwill impairment test using the revised CGUs, which are the same as the operating segments. Based on the results of this test, no impairment charge was required. In addition, the Company completed the annual impairment test as at September 30, 2012 and did not identify any impairment. On August 20, 2012, CGI acquired 100% of the shares of Logica plc (“Logica”) and reported Logica as an operating segment (Note 27).

The variations in goodwill were as follows:

	U.S. \$	Canada \$	GIS \$	Europe & Asia Pacific \$	Logica \$	Total \$
Balance as at October 1, 2010	1,282,773	964,085	202,715	75,840	—	2,525,413
Business acquisition	—	—	—	656	—	656
Purchase price adjustments (Note 24)	4,376	—	—	—	—	4,376
Disposal of business	—	(5,050)	—	—	—	(5,050)
Foreign currency translation adjustment	10,682	—	120	(175)	—	10,627
Balance as at September 30, 2011, as previously reported	<u>1,297,831</u>	<u>959,035</u>	<u>202,835</u>	<u>76,321</u>	<u>—</u>	<u>2,536,022</u>
Goodwill reallocation	(22,243)	21,613	—	630	—	—
Balance as at September 30, 2011, after goodwill reallocation	<u>1,275,588</u>	<u>980,648</u>	<u>202,835</u>	<u>76,951</u>	<u>—</u>	<u>2,536,022</u>
Business acquisition (Note 24)	—	—	—	—	3,276,172	3,276,172
Foreign currency translation adjustment	(70,849)	—	(880)	(7,011)	86,363	7,623
Balance as at September 30, 2012	<u>1,204,739</u>	<u>980,648</u>	<u>201,955</u>	<u>69,940</u>	<u>3,362,535</u>	<u>5,819,817</u>

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

11. Goodwill (continued)

Key assumptions in goodwill impairment testing

The assumptions for the most significant CGUs are disclosed in the following table:

<u>As at September 30, 2012</u>	<u>U.S.</u> %	<u>Canada</u> %	<u>GIS</u> %
Assumptions			
Pre-tax discount rate	8.7	5.5	7.2
Long-term growth rate of net operating cash flows	2.0	2.0	2.0
<u>As at October 1, 2011</u>	<u>U.S.</u> %	<u>Canada</u> %	<u>GIS</u> %
Assumptions			
Pre-tax discount rate	8.9	7.2	8.7
Long-term growth rate of net operating cash flows	2.0	2.0	2.0
<u>As at October 1, 2010</u>	<u>U.S. & India</u> %	<u>Canada</u> %	<u>GIS</u> %
Assumptions			
Pre-tax discount rate	10.4	8.1	9.8
Long-term growth rate of net operating cash flows	2.0	2.0	2.0

As Logica was acquired on August 20, 2012, the consideration paid is the best indicator of fair value for this CGU as at September 30, 2012.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

12. Provisions

	<u>Onerous leases¹</u> \$	<u>Litigations and claims²</u> \$	<u>Decommissioning liabilities³</u> \$	<u>Restructuring⁴</u> \$	<u>Total</u> \$
As at September 30, 2011	29,703	2,535	7,559	—	39,797
Additional provisions	4,515	1,719	1,672	101,475	109,381
Provisions assumed in business acquisition	59,138	106,408	31,446	47,652	244,644
Utilized amounts	(10,445)	(2,217)	—	(5,384)	(18,046)
Reversals of unused amounts	(1,135)	—	(2,908)	—	(4,043)
Discount rate adjustment and imputed interest	148	—	205	—	353
Effect of foreign currency translation adjustment	601	3,108	(22)	1,359	5,046
As at September 30, 2012	82,525	111,553	37,952	145,102	377,132
Current portion	35,011	3,273	3,420	118,921	160,625
Non-current portion	47,514	108,280	34,532	26,181	216,507
	<u>Onerous leases¹</u> \$	<u>Litigations and claims²</u> \$	<u>Decommissioning liabilities³</u> \$	<u>Restructuring⁴</u> \$	<u>Total</u> \$
As at October 1, 2010	13,078	3,478	3,707	—	20,263
Additional provisions	23,192	930	3,659	—	27,781
Utilized amounts	(5,309)	(58)	—	—	(5,367)
Reversals of unused amounts	(1,879)	(1,850)	—	—	(3,729)
Discount rate adjustment and imputed interest	328	—	190	—	518
Effect of foreign currency translation adjustment	293	35	3	—	331
As at September 30, 2011	29,703	2,535	7,559	—	39,797
Current portion	9,590	2,535	—	—	12,125
Non-current portion	20,113	—	7,559	—	27,672

¹ Onerous leases consist of estimated costs associated with vacated premises. The timing of cash outflows relating to these provisions ranges between one and thirteen years (one and eight years and one and ten years in 2011 and 2010, respectively) and was discounted at a weighted average rate of 0.98% (1.48% and 2.75% in 2011 and 2010, respectively).

² Litigation and claim provisions represent certain legal claims brought against the Company.

³ Decommissioning liabilities pertain to operating leases of office buildings where certain arrangements require premises to be returned to their original state at the end of the lease term. The decommissioning liability was based on the expected cash flows of \$43,421,000 (\$8,790,000 and \$4,370,000 in 2011 and 2010, respectively) and was discounted at a weighted average rate of 1.24% (2.19% and 2.74% in 2011 and 2010, respectively). The timing of the settlement of these obligations ranges between one and fourteen years (one and twelve years and one and thirteen years in 2011 and 2010, respectively).

⁴ Restructuring costs include Logica's restructuring program announced on December 14, 2011. It is comprised of property rationalization, a reduction in headcount and other measures to reduce the cost base which amounted to \$47,652,000 as at August 20, 2012. In addition, in connection with the acquisition of Logica made during the year, the Company recorded costs related to the termination of certain employees identified as redundant.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

13. Other long-term liabilities

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Deferred revenue	349,507	29,887	40,702
Estimated losses on revenue-generating contracts	139,744	—	—
Deferred compensation plan liabilities (Note 29)	19,724	18,227	18,694
Deferred rent	55,850	40,767	39,346
Forward contracts (Note 31)	32,848	3,090	3,396
Other	3,559	1,804	626
	<u>601,232</u>	<u>93,775</u>	<u>102,764</u>

CGI Group Inc. – Consolidated Financial Statements for the years ended September 30, 2012 and 2011

32

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

14. Long-term debt

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Senior U.S. unsecured notes, bearing a weighted average interest rate of 4.57% and repayable by a payment of \$83,615 (US\$85,000) in 2016, \$137,718 (US\$140,000) in 2018 and \$245,925 (US\$250,000) in 2021 ¹	467,610	20,647	109,899
Unsecured committed revolving facility ²	691,960	859,277	964,223
Unsecured committed term loan credit facility ³	1,933,948	—	—
Obligations bearing a weighted average interest rate of 3.34% and repayable in blended monthly installments maturing at various dates until 2018	60,812	58,575	22,049
Obligations under finance leases, bearing a weighted average interest rate of 3.85% and repayable in blended monthly installments maturing at various dates until 2019	85,124	67,182	57,705
Other long-term debt	8,954	—	—
	3,248,408	1,005,681	1,153,876
Current portion	52,347	896,012	114,577
	3,196,061	109,669	1,039,299

¹ On December 15, 2011, the Company drew down an amount of \$491,008,000 (US\$475,000,000) on a private placement financing with U.S. institutional investors. The private placement is comprised of three tranches of Senior U.S. unsecured notes, with a weighted average maturity as at September 30, 2012 of 7.4 years and a weighted average fixed coupon of 4.57%. With the proceeds of this private placement, the Company reimbursed an amount of \$491,008,000 of the unsecured revolving facility. The Senior U.S. unsecured notes contain covenants that require the Company to maintain certain financial ratios (Note 32). As at September 30, 2012, the Company was in compliance with these covenants.

On August 17, 2012, the Company repaid the last outstanding tranche in the amount of \$19,770,000 (US\$20,000,000) of the 2004 private placement financing with U.S. institutional investors and settled the related forward contracts taken to manage the Company's exposure to fluctuations in foreign exchange rate resulting in a cash outflow of \$333,000.

² On December 7, 2011, the Company renewed its unsecured revolving facility for an amount of \$1,500,000,000 for an additional five years, expiring in December 2016. This facility is bearing interest at Bankers' acceptance, LIBOR or to a lesser extent, Canadian prime; plus a variable margin that is determined based on the Company's leverage ratios. As at September 30, 2012, an amount of \$691,960,000 had been drawn upon this facility at a margin of 1.75% for LIBOR and Banker's acceptance and 0.75% for the Canadian prime portion. Also, an amount of \$21,951,000 has been committed against this facility to cover various letters of credit issued for clients and other parties. The revolving credit facility contains covenants that require the Company to maintain certain financial ratios (Note 32). As at September 30, 2012, the Company was in compliance with these covenants.

³ On May 31, 2012, contingent on closing of Logica acquisition, the Company signed a new term loan credit facility agreement of £1,245,000,000. As at September 30, 2012, an amount of \$1,948,940,000 was drawn, less financing costs of \$14,992,000. The term loan credit facility expires in tranches on May 2014 (\$484,955,000), 2015 (\$484,955,000) and 2016 (\$979,030,000). The term loan credit facility is bearing interest at Bankers' acceptance, LIBOR or to a lesser extent, Canadian prime; plus a variable margin that is determined based on the Company's leverage ratios. As at September 30, 2012, the margin paid was 2.25% for LIBOR and Banker's acceptance and 1.25% for the Canadian prime portion. The term loan credit facility contains covenants that require the Company to maintain certain financial ratios (Note 32). As at September 30, 2012, the Company was in compliance with these covenants.

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

	\$
Less than one year	18,942
Between one and two years	510,029
Between two and five years	2,265,244
Beyond five years	384,061
Total principal payments on long-term debt	3,178,276

Minimum finance lease payments are as follows:

	<u>Principal</u> \$	<u>Interest</u> \$	<u>Payment</u> \$
Less than one year	33,405	3,143	36,548
Between one and two years	24,586	1,517	26,103
Between two and five years	26,847	830	27,677
Beyond five years	286	5	291
Total minimum finance lease payments	<u>85,124</u>	<u>5,495</u>	<u>90,619</u>

CGI Group Inc. – Consolidated Financial Statements for the years ended September 30, 2012 and 2011

33

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

15. Capital stock

Authorized, an unlimited number without par value:

First preferred shares, carrying one vote per share, ranking prior to second preferred shares, Class A subordinate shares and Class B shares with respect to the payment of dividends;

Second preferred shares, non-voting, ranking prior to Class A subordinate shares and Class B shares with respect to the payment of dividends;

Class A subordinate shares, carrying one vote per share, participating equally with Class B shares with respect to the payment of dividends and convertible into Class B shares under certain conditions in the event of certain takeover bids on Class B shares;

Class B shares, carrying ten votes per share, participating equally with Class A subordinate shares with respect to the payment of dividends, convertible at any time at the option of the holder into Class A subordinate shares.

For 2012 and 2011, the Class A subordinate and the Class B shares varied as follows:

	Class A subordinate shares		Class B shares		Total	
	Number	Carrying value \$	Number	Carrying value \$	Number	Carrying value \$
Balance as at October 1, 2010	237,684,791	1,148,182	33,608,159	46,887	271,292,950	1,195,069
Repurchased and cancelled ¹	(16,373,400)	(80,009)	—	—	(16,373,400)	(80,009)
Issued upon exercise of stock options ²	5,743,649	66,065	—	—	5,743,649	66,065
Purchased and held in trust ³	—	(2,566)	—	—	—	(2,566)
Balance as at September 30, 2011	227,055,040	1,131,672	33,608,159	46,887	260,663,199	1,178,559
Repurchased and cancelled ¹	(5,368,000)	(26,942)	—	—	(5,368,000)	(26,942)
Issued upon financing of business acquisition, net of transaction costs	46,707,146	999,178	—	—	46,707,146	999,178
Issued upon exercise of stock options ²	5,376,920	64,033	—	—	5,376,920	64,033
Purchased and held in trust ³	—	(14,252)	—	—	—	(14,252)
Sale of shares held in trust ³	—	1,118	—	—	—	1,118
Balance as at September 30, 2012	273,771,106	2,154,807	33,608,159	46,887	307,379,265	2,201,694

¹ On February 1, 2012, the Company's Board of Directors authorized the renewal of a Normal Course Issuer Bid ("NCIB") for the purchase of up to 22,064,163 Class A subordinate shares during the next year (23,006,547 in 2011 and 25,151,058 in 2010) for cancellation on the open market through the Toronto Stock Exchange. The Class A subordinate shares were available for purchase commencing February 9, 2012, until no later than February 8, 2013, or on such earlier date when the Company completes its purchases or elects to terminate the bid. During fiscal year 2012, the Company repurchased 5,368,000 Class A subordinate shares (16,373,400 in 2011 and 35,602,085 in 2010) for cash consideration of \$102,845,000 (\$305,028,000 in 2011 and \$516,699,000 in 2010). The excess of the purchase price over the carrying value, in the amount of \$75,903,000 (\$225,019,000 in 2011 and \$347,940,000 in 2010), was charged to retained earnings.

² The carrying value of Class A subordinate shares includes \$16,010,000 (\$14,341,000 in 2011 and \$13,332,000 in 2010), which corresponds to a reduction in contributed surplus representing the value of accumulated compensation costs associated with the stock options exercised during the year.

³ The trustee, in accordance with the terms of the PSU plan and a Trust Agreement, purchased 761,358 Class A subordinate shares of the Company on the open market for \$14,252,000 during the year ended September 30, 2012 (164,012 Class A subordinate shares for \$2,566,000 during the year ended September 30, 2011). In addition, the trustee sold 61,504 Class A subordinate shares that were held in trust on the open market in accordance with the terms of the PSU plan (nil during the year ended September 30, 2011). The excess of the proceeds over the carrying value of the Class A subordinate shares, in the amount of \$53,000, resulted in an increase of contributed surplus. As at September 30, 2012, 863,866 Class A subordinate shares were held in trust under the PSU plan (164,012 as at September 30, 2011) (Note 16b)).

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

16. Share-based payments

a) Stock options

Under the Company's stock option plan, the Board of Directors may grant, at its discretion, stock options to purchase Class A subordinate shares to certain employees, officers, directors and consultants of the Company and its subsidiaries. The exercise price is established by the Board of Directors and is equal to the closing price of the Class A subordinate shares on the TSX on the day preceding the date of the grant. Stock options generally vest over four years from the date of grant conditionally upon achievement of objectives and must be exercised within a ten-year period, except in the event of retirement, termination of employment or death. As at September 30, 2012, 40,881,609 Class A subordinate shares have been reserved for issuance under the stock option plan.

The following table presents information concerning all outstanding stock options granted by the Company:

	2012		2011	
	Number of options	Weighted average exercise price per share \$	Number of options	Weighted average exercise price per share \$
Outstanding, beginning of year	24,163,317	11.42	26,555,483	10.03
Granted	2,551,547	19.74	6,634,974	15.53
Exercised	(5,376,920)	8.93	(5,743,649)	9.01
Forfeited	(2,720,714)	15.47	(3,255,072)	12.68
Expired	—	—	(28,419)	9.19
Outstanding, end of year	18,617,230	12.69	24,163,317	11.42
Exercisable, end of year	12,079,231	10.69	13,108,369	9.39

The weighted average share price at the date of exercise for share options exercised in 2012 was \$22.46 (\$19.03 in 2011).

The following table summarizes information about outstanding stock options granted by the Company as at September 30, 2012:

Range of exercise price \$	Number of options	Options outstanding		Options exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
5.20 to 6.98	181,166	3.47	6.66	181,166	6.66
7.00 to 7.87	1,594,412	3.22	7.74	1,594,412	7.74
8.00 to 8.91	1,392,887	2.56	8.52	1,392,887	8.52
9.05 to 9.43	2,844,597	6.00	9.31	2,844,597	9.31
10.05 to 11.80	2,353,759	5.03	11.37	2,353,759	11.37
12.54 to 13.26	3,997,509	6.99	12.55	2,563,564	12.55
14.48 to 15.96	3,765,173	8.00	15.48	1,045,450	15.47
19.28 to 23.99	2,487,727	9.01	19.76	103,396	20.58
	18,617,230	6.38	12.69	12,079,231	10.69

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

16. Share-based payments (continued)

a) Stock options (continued)

The fair value of stock options granted in the period and the assumptions used in the calculation of their fair value on the date of grant using the Black-Scholes option pricing model were as follows:

	Year ended September 30	
	2012	2011
Weighted average assumptions		
Grant date fair value (\$)	4.67	4.31
Dividend yield (%)	0.00	0.00
Expected volatility (%) ¹	27.63	27.11
Risk-free interest rate (%)	1.20	1.99
Expected life (years)	4.00	5.00
Exercise price (\$)	19.74	15.53
Share price (\$)	19.74	15.53

¹ Expected volatility was determined using statistical formulas and based on the weekly historical average of closing daily share prices over the period of the expected life of stock option.

b) Performance share units

Under the PSU plan, the Board of Directors may grant PSUs to senior executives and other key employees (“participants”) which entitle them to receive one Class A subordinate share for each PSU. The vesting performance conditions are determined by the Board of Directors at the time of each grant. PSUs expire on December 31 of the third calendar year following the end of the fiscal year during which the PSU award is made, except in the event of retirement, termination of employment or death. Granted PSUs vest annually over a period of four years from the date of grant conditionally upon achievement of objectives.

Class A subordinate shares purchased in connection with the PSU plan are held in trust for the benefit of the participants. The trust, considered as a special purpose entity, is consolidated in the Company’s consolidated financial statements with the cost of the purchased shares recorded as a reduction of capital stock (Note 15).

The following table presents information concerning the number of outstanding PSUs granted by the Company:

Outstanding as at October 1, 2010	—
Granted ¹	164,012
Outstanding as at September 30, 2011	164,012
Granted ¹	761,358
Forfeited	(61,504)
Outstanding as at September 30, 2012	863,866

¹ The PSUs granted in the period had a grant date fair value of \$19.71 per unit in 2012 (\$15.51 in 2011).

c) Share-based payment costs

The share-based payment expense recorded in cost of services, selling and administrative expenses is as follows:

	Year ended September 30	
	2012	2011
	\$	\$
Stock options	9,310	16,246
PSUs	3,210	399
	12,520	16,645

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

17. Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the year ended September 30:

	2012			2011		
	Net earnings \$	Weighted average number of shares outstanding ¹	Earnings per share \$	Net earnings \$	Weighted average number of shares outstanding ¹	Earnings per share \$
Basic	131,529	263,431,660	0.50	438,139	265,333,074	1.65
Dilutive stock options and PSUs ²		10,212,342			10,487,173	
	<u>131,529</u>	<u>273,644,002</u>	<u>0.48</u>	<u>438,139</u>	<u>275,820,247</u>	<u>1.59</u>

¹ The 5,368,000 Class A subordinate shares repurchased and 863,866 Class A subordinate shares held in trust during the year ended September 30, 2012 (16,373,400 and 164,012, respectively, during year ended September 30, 2011), were excluded from the calculation of weighted average number of shares outstanding as of the date of transaction.

² The calculation of the diluted earnings per share excluded 2,400,489 stock options for the year ended September 30, 2012 (58,542 for the year ended September 30, 2011), as they were anti-dilutive.

18. Construction contracts in progress

Revenue from systems integration and consulting services under fixed-fee arrangements where the outcome of the arrangements can be estimated reliably is recognized using the percentage-of-completion method over the service periods. The Company uses the labour costs or labour hours to measure the progress towards completion. If the outcome of an arrangement cannot be estimated reliably, revenue is recognized to the extent of arrangement costs incurred that are likely to be recoverable.

Amounts recognized as revenue in excess of billings are classified as work in progress. Amounts received in advance of the delivery of products or performance of services are classified as deferred revenue.

The status of the Company's construction contracts in progress at the end of the reporting period was as follows:

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Recognized as:			
Revenue in the respective year	637,764	443,183	445,294
Recognized as:			
Amounts due from customers under construction contracts ¹	366,398	104,327	100,616
Amounts prepaid by customers under construction contracts ²	(206,235)	(34,861)	(27,908)

¹ As at September 30, 2012, retentions held by customers for contract work amounted to \$21,402,000 (\$17,186,000 as at September 30, 2011 and \$14,788,000 as at October 1, 2010).

² As at September 30, 2012, advances received from customers for contract work amounted to \$11,740,000 (\$14,196,000 as at September 30, 2011 and \$5,489,000 as at October 1, 2010).

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

19. Costs of services, selling and administrative

	Year ended September 30	
	2012	2011
	\$	\$
Salaries and other member costs ¹	2,771,802	2,343,015
Hardware, software and data center related costs	400,015	457,248
Professional fees and other contracted labour	592,374	494,292
Property costs	204,944	170,859
Amortization and depreciation (Note 20)	220,054	210,450
Other operating expenses	37,670	15,096
	<u>4,226,859</u>	<u>3,690,960</u>

¹ Net of tax credits of \$98,750,000 in 2012 (\$111,832,000 in 2011).

20. Amortization and depreciation

	Year ended September 30	
	2012	2011
	\$	\$
Depreciation of PP&E ¹	93,053	79,024
Amortization of intangible assets	99,674	107,891
Amortization of contract costs related to transition costs	27,327	23,535
Included in costs of services, selling and administrative (Note 19)	220,054	210,450
Amortization of contract costs related to incentives (presented as a reduction of revenue)	8,723	10,364
Amortization of deferred financing fees (presented in finance costs)	1,211	1,283
Amortization of premiums and discounts on investments related to funds held for clients (presented net as a reduction of revenue)	1,371	1,257
Amortization of premiums and discounts on long-term investments (presented net in finance costs)	39	—
	<u>231,398</u>	<u>223,354</u>

¹ Depreciation of property, plant and equipment acquired under finance leases was \$20,799,000 in 2012 (\$18,526,000 in 2011).

21. Finance costs

	Year ended September 30	
	2012	2011
	\$	\$
Interest on long-term debt	41,698	18,224
Other finance costs	401	1,171
	<u>42,099</u>	<u>19,395</u>

CGI Group Inc. – Consolidated Financial Statements for the years ended September 30, 2012 and 2011

38

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

22. Accumulated other comprehensive (loss) income

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Net unrealized (losses) gains on translating financial statements of foreign operations (net of accumulated income tax expense of \$330 as at September 30, 2012 and \$1,281 as at September 30, 2011)	(7,920)	12,275	—
Net unrealized gains (losses) on translating long-term debt designated as hedges of net investments in foreign operations (net of accumulated income tax expense of \$959 as at September 30, 2012 and net of accumulated income tax recovery of \$1,086 as at September 30, 2011)	6,071	(4,695)	—
Net unrealized (losses) gains on cash flow hedges (net of accumulated income tax recovery of \$3,302 as at September 30, 2012 and net of income tax expense of \$1,457 as at September 30, 2011 and \$5,336 as at October 1, 2010)	(6,343)	5,272	14,469
Net unrealized actuarial gains (losses) (net of income tax expense of \$1,961 as at September 30, 2012 and net of income tax recovery of \$217 as at September 30, 2011)	4,578	(632)	—
Net unrealized gains on investments available for sale (net of accumulated income tax expense of \$1,276 as at September 30, 2012 and \$854 as at September 30, 2011)	3,339	2,352	—
	<u>(275)</u>	<u>14,572</u>	<u>14,469</u>

For the year ended September 30, 2012, \$794,000 of the net unrealized gains previously recognized in other comprehensive income (net of income taxes of \$277,000) were reclassified to net earnings for derivatives designated as cash flow hedges (\$7,476,000 net of income taxes of \$3,314,000 for the year ended September 30, 2011).

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

23. Income taxes

	Year ended September 30	
	2012	2011
	\$	\$
Current income tax expense		
Current income tax expense in respect of the current year	151,736	154,349
Adjustments recognized in the current year in relation to the current income tax expense of prior years	1,967	(32,230)
Total current income tax expense	153,703	122,119
Deferred income tax expense		
Deferred income tax expense relating to the origination and reversal of temporary differences	(19,680)	(17,568)
Recognition of previously unrecognized temporary differences	(2,626)	(4,855)
Total deferred income tax recovery	(22,306)	(22,423)
Total income tax expense	131,397	99,696

The Company's effective income tax rate on income from continuing operations differs from the combined Federal and Provincial Canadian statutory tax rate as follows:

	2012	2011
	%	%
Company's statutory tax rate	27.3	28.8
Effect of foreign tax rate differences	2.9	(2.4)
Final determination from agreements with tax authorities and expirations of statutes of limitations	(0.2)	(6.8)
Non-deductible and tax exempt items	1.5	(1.2)
Effect of unrecognized tax benefit and non-deductible acquisition-related and integration costs	18.5	—
Impact on future tax assets and liabilities resulting from tax rate changes	—	0.1
Effective income tax rate	50.0	18.5

The decrease in Company's statutory tax rate is explained by the reduction in the federal statutory tax rate from 16.9% to 15.4%.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

23. Income taxes (continued)

The continuity of deferred income tax balances is as follows:

	As at September 30, 2011 \$	Additions from business acquisition \$	Recognized in earnings \$	Recognized in other comprehensive income \$	Recognized in equity \$	Foreign currency translation adjustment and other \$	As at September 30, 2012 \$
Accounts payable, accrued liabilities and other long-term liabilities	24,884	11,957	(7,473)	—	—	(64)	29,304
Tax benefits on losses carried forward	7,459	164,960	8,271	—	—	1,710	182,400
Accrued compensation	28,354	3,030	787	—	6,805	—	38,976
Retirement benefits	—	19,664	—	(2,178)	—	—	17,486
Allowance for doubtful accounts	3,255	—	(1,209)	—	—	—	2,046
PP&E, contract costs, intangible assets and other long-term assets	(122,374)	(46,428)	13,769	—	—	2,326	(152,707)
Work in progress	(28,090)	—	2,921	—	—	1	(25,168)
Goodwill	(33,490)	—	(1,754)	—	—	—	(35,244)
Refundable tax credits on salaries	(14,756)	—	(3,027)	—	—	—	(17,783)
Unrealized gains on cash flow hedges	(1,457)	—	3,236	2,695	—	(95)	4,379
Other liabilities	(3,297)	411	6,785	548	—	324	4,771
Deferred income taxes, net	<u>(139,512)</u>	<u>153,594</u>	<u>22,306</u>	<u>1,065</u>	<u>6,805</u>	<u>4,202</u>	<u>48,460</u>

	As at October 1, 2010 \$	Recognized in earnings \$	Recognized in other comprehensive loss \$	Recognized in equity \$	Foreign currency translation adjustment and other \$	As at September 30, 2011 \$
Accounts payable, accrued liabilities and other long-term liabilities	13,720	10,944	217	—	3	24,884
Tax benefits on losses carried forward	10,321	(2,934)	—	—	72	7,459
Accrued compensation	33,550	(7,659)	—	1,790	673	28,354
Allowance for doubtful accounts	1,793	1,462	—	—	—	3,255
PP&E, contract costs, intangible assets and other long-term assets	(143,654)	23,310	—	—	(2,030)	(122,374)
Work in progress	(25,165)	(2,927)	—	—	2	(28,090)
Goodwill	(27,774)	(6,116)	—	—	400	(33,490)
Refundable tax credits on salaries	(20,985)	6,229	—	—	—	(14,756)
Unrealized gains on cash flow hedges	(5,323)	226	3,640	—	—	(1,457)
Other liabilities	(2,455)	(112)	(813)	—	83	(3,297)
Deferred income taxes, net	<u>(165,972)</u>	<u>22,423</u>	<u>3,044</u>	<u>1,790</u>	<u>(797)</u>	<u>(139,512)</u>

The deferred income taxes are presented as follows in the consolidated balance sheets:

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Deferred tax assets	219,590	9,882	22,888
Deferred tax liabilities	(171,130)	(149,394)	(188,860)
Deferred income taxes, net	<u>48,460</u>	<u>(139,512)</u>	<u>(165,972)</u>

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

23. Income taxes (continued)

At September 30, 2012, the Company had \$1,465,577,000 in non-capital losses carried forward and other temporary differences, of which \$254,410,000 expire at various dates up to 2029 and \$1,211,167,000 have no expiry dates. The Company recognized a deferred tax asset of \$364,028,000 on the losses carried forward and other temporary differences and recognized a valuation allowance of \$181,628,000. The increase in the valuation allowance mainly results from the Logica acquisition. The resulting net deferred tax asset of \$182,400,000 is the amount that is more likely than not to be realized, based on deferred tax liabilities reversal and future taxable profits.

The temporary differences associated with investments in subsidiaries and the interest in joint venture for which a deferred tax liability has not been recognized amount to \$683,282,000 (\$638,285,000 in 2011).

Undistributed earnings of the Company's foreign subsidiaries are considered to be indefinitely reinvested. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to withholding taxes. It is not practicable for the Company to estimate the amount of withholding taxes related to these undistributed earnings.

CGI Group Inc. – Consolidated Financial Statements for the years ended September 30, 2012 and 2011

42

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

24. Investments in subsidiaries

2012 TRANSACTIONS

a) Acquisition

On August 20, 2012, the Company acquired 100% of the outstanding ordinary shares of Logica, a business and technology services company, for a total cash consideration of \$2,682,380,000 (£1,715,738,000) and the assumption of Logica's net debt of \$866,658,000. The acquisition and the repayment of Logica's debt assumed were funded through a combination of sources; the Company issued 46,707,146 new Class A subordinate voting shares of the Company at a price of \$21.41 to Caisse de dépôt et placement du Québec for a total consideration of \$1,000,000,000, excluding transaction costs. In addition, the Company drew under a term loan agreement \$1,933,858,000. The remaining funding came from the Company's existing credit facility and cash. The acquisition of Logica will increase the ability of the Company to offer a mix of business and technology expertise to clients across the world through a combination of local and global delivery options.

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

	<u>Logica</u> \$
Assets	
Current assets ¹	1,374,838
Property, plant and equipment	250,808
Contract costs	71,697
Intangible assets	603,683
Other long-term assets	87,789
Deferred tax assets	197,210
Goodwill ²	3,276,172
	<u>5,862,197</u>
Liabilities	
Current liabilities	(1,546,273)
Debt ³	(808,775)
Deferred tax liabilities	(43,616)
Long-term provisions	(182,880)
Retirement benefits obligations	(113,526)
Other long-term liabilities	(426,864)
	<u>(3,121,934)</u>
Bank overdraft assumed, net	(57,883)
Net assets acquired	<u>2,682,380</u>
Cash consideration	2,676,912
Consideration payable ⁴	<u>5,468</u>

¹ The current assets include accounts receivable with a fair value of \$899,089,000 which approximates the gross amount due under the contracts.

² The preliminary goodwill arising from the acquisition mainly represents the future economic value associated to acquired work force and synergies with the Company's operations. All of the goodwill is included in the Logica segment. None of the goodwill recognized is expected to be deductible for income tax purposes.

³ During the year, the Company made a repayment of \$891,354,000 of Logica's debt assumed in business acquisition, resulting in a loss of \$83,632,000 which was recorded in acquisition-related and integration costs.

⁴ Payable within one year.

⁵ The purchase price allocation was translated using the exchange rate as at August 20, 2012.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

24. Investments in subsidiaries (continued)

2012 TRANSACTIONS (CONTINUED)

a) Acquisition (continued)

In connection with the acquisition of Logica, the Company expensed \$254,973,000 during the year ended September 30, 2012. Included in that amount are acquisition-related costs of \$36,403,000, integration costs of \$109,714,000, make whole on Logica's debt and other financing costs of \$108,856,000. The acquisition-related costs consist mainly of professional fees incurred for the acquisition and foreign exchange call options for an amount of \$7,146,000 in order to comply with the funds certain requirement under the UK City Code on Takeovers and Mergers.

Integration costs driven by the restructuring of Logica's operations, estimated at approximately \$400,000,000, mainly include the costs related to the termination of certain employees identified as redundant. The acquisition-related and integration costs are separately disclosed in the Company's consolidated statements of earnings.

Logica's revenue for the year ended September 30, 2012 represents approximately 12% of the total consolidated revenue of the Company. From the date of acquisition, included in the Company's results are \$567,875,000 of revenues and \$259,981,000 of net loss from Logica, which includes acquisition-related and integration costs. On a pro forma basis, the revenue, the earnings before income taxes and the net loss of the combined Company for the year ended September 30, 2012 would have been approximately \$10,231,555,000, \$81,733,000 and \$5,399,000, respectively, had the Logica acquisition occurred as of October 1, 2011. The pro forma financial information was constructed using the Company's 2012 annual results and Logica's results from July 1, 2011 to June 30, 2012 due to the differences in reporting periods and includes business combination adjustments such as amortization of acquired intangible assets, interest expense on borrowings, elimination of acquisition-related costs, integration costs, make whole and other financing costs as well as related tax effects. The changes to historical transactions and the benefits from integration initiatives, severances of redundant resources and savings related to the retirement of excess facilities have not been reflected in these pro forma amounts. The pro forma amounts are not necessarily indicative of the results of operations of the Company that would have resulted had the acquisition actually occurred on October 1, 2011, or the results that may be obtained in the future.

b) Disposal

There were no significant disposals during fiscal 2012.

2011 TRANSACTIONS

a) Acquisition

There were no significant acquisitions during fiscal 2011.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

24. Investments in subsidiaries (continued)

2011 TRANSACTIONS (CONTINUED)

b) Disposal

On April 4, 2011, the Company concluded a transaction for a net consideration of \$10,500,000 whereby Conseiller en informatique d'affaires CIA inc. ("CIA") repurchased its shares held by the Company, which represented a 68% interest, excluding its Paris operations, and the Company simultaneously purchased 32% of the operations carried out in CIA's Paris office not previously owned.

The Company received \$5,917,000 during the year ended September 30, 2011 and the remaining balance of \$4,583,000 in fiscal 2012. The sale resulted in a gain of \$3,655,000 recognized within other income in the consolidated statements of earnings.

c) Modifications to purchase price allocation

During the year ended September 30, 2011, the Company finalized the purchase price allocation and made adjustments relating to the acquisition of Stanley, Inc. ("Stanley"). The resulting impact for the year ended September 30, 2011 was a decrease in intangible assets of \$1,743,000, deferred tax assets of \$299,000 and deferred tax liabilities of \$682,000 and an increase of accrued compensation of \$1,491,000, accounts payable and accrued liabilities of \$50,000 and income taxes payable of \$1,475,000, whereas goodwill increased by \$4,376,000. The prior period figures have not been adjusted given that the effect of restatement was not significant.

d) Acquisition-related and integration costs

In connection with the acquisition of Stanley in fiscal year 2010, the Company expensed \$3,675,000 during the year ended September 30, 2011. The expenses included costs to integrate the operations and to realize synergies.

25. Joint venture: supplementary information

During the year ended September 30, 2012, the Company sold its 49% interest in Innovapost Inc. ("Innovapost") and received consideration of \$26,000,000. The Company recorded a gain of \$2,981,000 relating to the disposal within other income.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

26. Supplementary cash flow information

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

	<u>2012</u> \$	<u>2011</u> \$
Accounts receivable	(61,373)	(87,828)
Work in progress	(15,815)	(31,971)
Prepaid expenses and other assets	(10,020)	44,485
Accounts payable, accrued liabilities and other long-term liabilities	62,161	22,183
Accrued compensation	89,836	(1,595)
Provisions	85,715	15,620
Deferred revenue	46,727	(2,956)
Income taxes	(21,273)	(35,236)
	<u>175,958</u>	<u>(77,298)</u>

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

	<u>2012</u> \$	<u>2011</u> \$
Operating activities		
Accounts receivable	(284)	(326)
Prepaid expenses and other assets	(11,105)	(26,400)
	<u>(11,389)</u>	<u>(26,726)</u>
Investing activities		
Purchase of property, plant and equipment	(32,207)	(36,083)
Additions of intangible assets	(15,359)	(15,939)
Additions of other long-term assets	(7,426)	(3,646)
	<u>(54,992)</u>	<u>(55,668)</u>
Financing activities		
Increase in obligations under finance leases	29,753	28,822
Increase in obligations	36,344	53,246
Issuance of shares	284	326
	<u>66,381</u>	<u>82,394</u>

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

	<u>2012</u> \$	<u>2011</u> \$
Interest paid	34,573	17,807
Interest received	3,415	2,017
Income taxes paid	144,010	135,433

Notes to the Consolidated Financial Statements

For the years ended September 30, 2012 and 2011

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

27. Segmented information

In the prior year, management regularly reviewed the Company's operating results through four operating segments, namely: U.S. & India, Canada, Global Infrastructure Services ("GIS") and Europe & Asia Pacific. As a result of changes to the management reporting structure in the current year, the Company is managed through the following four operating segments: U.S., Canada, GIS, Europe & Asia Pacific.

The GIS operating segment incorporates all services provided to clients globally for the management of their technology infrastructure. The other operating segments are based on the Company's geographic delivery model: U.S., Canada and Europe & Asia Pacific, which include their respective utilization of India's delivery centers.

As at September 30, 2012, the operations of Logica were managed and reviewed as one component and is therefore being presented as its own operating segment. As a result of changes in the management reporting structure effective October 1, 2012, the Company will change its operating segments beginning in the first quarter of 2013 as follows:

Canada;
United States of America;
Nordics, Southern Europe and South America;
Central and Eastern Europe (including Netherlands, Germany and Belgium);
United Kingdom;
Asia Pacific (including Australia, India, Philippines and the Middle East);
France (including Luxembourg and Morocco).

The following presents information on the Company's operations based on its current management structure. The Company has retrospectively revised the segmented information for the comparative periods to conform to the segmented information structure in effect as of September 30, 2012.

	Year ended September 30, 2012					
	U.S.	Canada	GIS	Europe & Asia Pacific	Logica	Total
	\$	\$	\$	\$	\$	\$
Segment revenue	2,091,112	1,212,615	684,870	215,982	567,875	4,772,454
Earnings (loss) before acquisition-related and integration costs, finance costs, finance income, other income, share of profit on joint venture and income tax expense ¹	242,965	257,011	53,265	12,333	(18,845)	546,729
Acquisition-related and integration costs						254,973
Finance costs						42,099
Finance income						(5,318)
Other income						(3,955)
Share of profit on joint venture						(3,996)
Earnings before income taxes						262,926

¹ Amortization and depreciation included in the U.S., Canada, GIS, Europe & Asia Pacific and Logica operating segments is \$82,258,000, \$42,370,000, \$76,674,000, \$4,269,000 and \$24,577,000 respectively, for the year ended September 30, 2012.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

27. Segmented information (continued)

Year ended September 30, 2011	U.S. \$	Canada \$	GIS \$	Europe & Asia Pacific \$	Total \$
Segment revenue	1,896,002	1,287,056	816,663	224,221	4,223,942
Earnings before acquisition-related and integration costs, finance costs, finance income, other income, share of profit on joint venture and income tax expense ¹	167,734	249,103	110,880	8,630	536,347
Acquisition-related and integration costs					3,675
Finance costs					19,395
Finance income					(3,552)
Other income					(7,647)
Share of profit on joint venture					(13,359)
Earnings before income taxes					537,835

¹ Amortization and depreciation included in the U.S., Canada, GIS, and Europe & Asia Pacific operating segments is \$85,655,000, \$53,451,000, \$78,781,000 and \$4,184,000 respectively, for the year ended September 30, 2011.

The accounting policies of each operating segment are the same as those described in the summary of significant accounting policies (Note 3). Intersegment revenue is priced as if the revenue was from third parties.

GEOGRAPHIC INFORMATION

The following table provides information for property, plant and equipment, contract costs and intangible assets based on their location¹:

	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
U.S.	291,690	313,860	361,702
Canada	292,990	305,046	348,936
U.K. ²	283,921	—	—
France ²	204,538	—	—
Sweden ²	93,231	—	—
Other	361,259	30,370	28,139
	1,527,629	649,276	738,777

¹ Excludes goodwill which has been allocated to operating segments (Note 11).

² Balances as of September 30, 2011 and October 1, 2010 are not significant.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

27. Segmented information (continued)

GEOGRAPHIC INFORMATION (CONTINUED)

The following table provides revenue information based on the client's location:

	<u>2012</u>	<u>2011</u>
	\$	\$
Revenue		
U.S.	2,240,668	2,041,609
Canada	1,721,490	1,911,447
U.K. ¹	205,247	—
France ¹	153,879	—
Sweden ¹	59,822	—
Other	391,348	270,886
	<u>4,772,454</u>	<u>4,223,942</u>

¹ Amounts for the year ended September 30, 2011 are not significant.

INFORMATION ABOUT SERVICES

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

	<u>2012</u>	<u>2011</u>
	\$	\$
Outsourcing		
IT Services	2,216,942	2,096,049
BPS	838,879	749,728
Systems integration and consulting	1,716,633	1,378,165
	<u>4,772,454</u>	<u>4,223,942</u>

MAJOR CLIENT INFORMATION

Contracts with the U.S. federal government and its various agencies accounted for \$1,336,941,000 of revenues included within the U.S. segment for the year ended September 30, 2012 (\$1,233,784,000 for the year ending September 30, 2011).

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

28. Related party transactions

A) TRANSACTIONS WITH JOINT VENTURE

Prior to its disposal, in the normal course of business, the Company was party to contracts with Innovapost, a joint venture, pursuant to which the Company was its preferred IT supplier.

Transactions and resulting balances, which were measured at commercial rates (exchange amount), are presented below. The amounts outstanding were unsecured and settled in cash. No guarantees were given or received and no expense was recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed.

Revenue was \$20,014,000 and \$80,075,000 for the years ended September 30, 2012 and 2011, respectively.

	<u>2012</u>	<u>2011</u>
	\$	\$
Accounts receivable	—	4,570
Work in progress	—	1,158
Contract costs	—	3,713
Deferred revenue	—	2,985

B) TRANSACTIONS WITH SUBSIDIARIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. The Company owns 100% of the equity interests of its subsidiaries.

The Company's principal subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>
Conseillers en Gestion et Informatique CGI Inc.	Canada
CGI Information Systems and Management Consultants Inc.	Canada
CGI Technologies and Solutions Inc.	United States
Stanley Associates, Inc.	United States
CGI Federal Inc.	United States
Oberon Associates, Inc.	United States
CGI Information Systems and Management Consultants Private Limited	India
CGI Information Systems and Management Consultants (UK) Limited	United Kingdom
Logica France SAS	France
Logica Business Consulting France SAS	France
Logica Nederland BV	Netherlands
Logica Deutschland GmbH & Co KG	Germany
LogicaTI Portugal SA	Portugal
Logica Danmark A/S	Denmark
Logica Norge AS	Norway
Logica Australia Pty Limited	Australia
Logica Private Limited	India
Logica North America Inc.	United States
Logica Suomi Oy	Finland
Logica Sverige AB	Sweden
Logica UK Limited	United Kingdom

CGI Group Inc. – Consolidated Financial Statements for the years ended September 30, 2012 and 2011

50

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

28. Related party transactions (continued)

C) COMPENSATION PAID TO KEY MANAGEMENT PERSONNEL

Compensation paid to key management personnel, defined as the Board of Directors (the "Board") and the Executive Vice-President and Chief Financial Officer, is as follows:

	<u>2012</u> \$	<u>2011</u> \$
Short-term employee benefits	3,909	6,915
Share-based payments	5,732	4,702

29. Employee benefits

The Company operates various post-employment plans, including defined benefit and defined contribution pension plans as well as other benefits plans to its employees:

DEFINED BENEFIT PLANS

The following table presents amounts for post-retirement benefits plans and post-employment benefits plan other than pensions included in the consolidated balance sheets:

<u>As at September 30, 2012</u>	<u>U.K.</u> \$	<u>Netherlands</u> \$	<u>Other</u> \$	<u>Total</u> \$
Defined benefit obligations	(437,585)	(326,620)	(150,827)	(915,032)
Fair value of plan assets	433,727	326,793	45,599	806,119
	(3,858)	173	(105,228)	(108,913)
Fair value of reimbursement rights	—	—	19,122	19,122
Net asset/(liability) recognized in the balance sheets	(3,858)	173	(86,106)	(89,791)
Presented as:				
Other long-term assets (Note 10)				
Insurance contracts held to fund defined benefit pension and life assurance arrangements	—	—	19,122	19,122
Retirement benefits assets	8,790	375	—	9,165
Retirement benefits obligations	(12,648)	(202)	(105,228)	(118,078)
	(3,858)	173	(86,106)	(89,791)

a) Defined benefit plans of Logica

During the year the Company acquired Logica. Logica operates among others defined benefit retirement plans primarily for the benefit of employees in the U.K. and the Netherlands, with smaller plans in other countries.

The largest plans are funded plans, where contributions are made by the Company, and also in some cases by the employee, to build up a separate fund of assets which is used to pay the employee benefits. The plans' assets are held in funds separate from those of the Company. Contribution rates are assessed by the actuary or insurer of each plan in regular funding reviews. Plan benefits typically provide for a pension on retirement based on years of qualifying service and final pensionable salary.

The Company also operates unfunded plans where the Company will be required to pay the future employee benefits from its future earnings.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

29. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

a) Defined benefit plans of Logica (continued)

The two largest plans are in the U.K. and the Netherlands and make up around 80% of the overall obligations. Some further details on these plans are provided below.

Stichting Pensioenfonds CMG (Netherlands) – last full actuarial valuation at December 31, 2011

The plan is closed to accrual and is currently in the process of being liquidated. At September 30, 2012, the plan held an insurance policy which matched the majority of the benefits due to members. Once the liquidation of the plan is completed, the Company will no longer be exposed to risks in respect of this plan.

LogicaCMG UK Pension and Life Assurance Plan (U.K.) – last full actuarial valuation at December 31, 2009

In 2011, a funding valuation which reported a deficit of \$1,422,000 (£900,000) was concluded. A recovery plan has been agreed to fund the deficit over a five year period from January 1, 2011 to December 31, 2015 by making annual payments of \$317,000 (£200,000).

CMG UK Pension Plan (U.K.) – last full actuarial valuation at June 30, 2010

The plan is closed to accrual and the last funding valuation reported a deficit of \$76,479,000 (£47,300,000). A revised recovery plan was agreed with the Trustees and it was agreed to pay \$11,426,000 (£7,200,000) annually for a period of 5 years and 9 months from July 1, 2011 to March 31, 2017.

Insurance policies taken out to fund retirement benefit plans that do not qualify as plan assets are presented as reimbursement rights within other long-term assets. Such policies fund pension plans in Germany and a life assurance plan in the U.S.

CGI Group Inc. – Consolidated Financial Statements for the years ended September 30, 2012 and 2011

52

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

29. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

a) Defined benefit plans of Logica (continued)

The following table presents a reconciliation of the movements in the defined benefit obligations between the beginning and end of the year, and an analysis of the defined benefit obligations between unfunded plans and those plans that are wholly funded:

<u>Defined benefit obligations</u>	<u>U.K.</u> \$	<u>Netherlands</u> \$	<u>Other</u> \$	<u>Total</u> \$
As at October 1, 2011	—	—	—	—
Liabilities assumed in a business acquisition	436,695	304,686	134,780	876,161
Current service cost	140	—	643	783
Interest cost	2,267	1,289	493	4,049
Actuarial (gains) losses due to change in assumptions	(10,788)	10,214	3,850	3,276
Actuarial losses (gains) due to experience adjustments	173	—	(190)	(17)
Termination benefits	95	—	—	95
Plan participant contributions	38	—	32	70
Benefits paid from the plan	(421)	(687)	(410)	(1,518)
Benefits paid directly by employer	—	—	(160)	(160)
Foreign currency translation adjustment	9,386	11,118	4,367	24,871
As at September 30, 2012	437,585	326,620	143,405	907,610
Defined benefit obligation of unfunded plans	—	—	39,548	39,548
Defined benefit obligation of funded plans	437,585	326,620	103,857	868,062
As at September 30, 2012	437,585	326,620	143,405	907,610

The following table presents a reconciliation of the movements in plan assets and reimbursement rights between the beginning and end of the year:

<u>Plan assets and reimbursement rights</u>	<u>U.K.</u> \$	<u>Netherlands</u> \$	<u>Other</u> \$	<u>Total</u> \$
As at October 1, 2011	—	—	—	—
Assets acquired in a business acquisition	423,111	304,944	61,263	789,318
Expected return on assets	2,196	1,291	246	3,733
Employer contributions	233	—	649	882
Experience (losses) gains on assets	(594)	10,119	1,122	10,647
Plan participants contributions	38	—	32	70
Benefits paid from the plan	(421)	(687)	(482)	(1,590)
Benefits paid directly by employer	—	—	(160)	(160)
Foreign currency translation adjustment	9,164	11,126	2,051	22,341
As at September 30, 2012	433,727	326,793	64,721	825,241
Plan assets	433,727	326,793	45,599	806,119
Reimbursement rights	—	—	19,122	19,122
As at September 30, 2012	433,727	326,793	64,721	825,241

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

29. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

a) Defined benefit plans of Logica (continued)

The plan assets at the end of the year consist of:

<u>As at September 30, 2012</u>	<u>U.K.</u> \$	<u>Netherlands</u> \$	<u>Other</u> \$	<u>Total</u> \$
Equities	141,402	—	2,465	143,867
Bonds	262,845	—	20,065	282,910
Property	21,398	—	4,930	26,328
Cash	8,082	2,733	2,263	13,078
Other	—	324,060	15,876	339,936
	<u>433,727</u>	<u>326,793</u>	<u>45,599</u>	<u>806,119</u>

The defined benefit pension plan in Netherlands is in the process of being liquidated and has been reinsured. As the plan is not fully settled yet, the Company will continue to disclose the gross position of the plan. Once the liquidation of the plan is completed, the Company will no longer be exposed to risks in respect of this plan.

Plan assets do not include any ordinary shares of the Company or property occupied by the Company or any other assets used by the Company.

The following table summarizes the actual return on assets:

<u>As at September 30, 2012</u>	<u>U.K.</u> \$	<u>Netherlands</u> \$	<u>Other</u> \$	<u>Total</u> \$
Actual return on plan assets and reimbursement rights	1,602	11,410	1,368	14,380

The following table summarizes the expense recognized in the consolidated statements of earnings:

<u>Year ended September 30, 2012</u>	<u>U.K.</u> \$	<u>Netherlands</u> \$	<u>Other</u> \$	<u>Total</u> \$
Current service cost	140	—	643	783
Termination benefits	95	—	—	95
Interest cost	2,267	1,289	493	4,049
Expected return on plan assets and reimbursement rights	(2,196)	(1,291)	(246)	(3,733)
	<u>306</u>	<u>(2)</u>	<u>890</u>	<u>1,194</u>
Presented as:				
Costs of services, selling and administrative	235	—	643	878
Finance costs	71	(2)	247	316
	<u>306</u>	<u>(2)</u>	<u>890</u>	<u>1,194</u>

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

29. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

a) Defined benefit plans of Logica (continued)

The following table summarizes the amounts recognized in other comprehensive income:

<u>As at September 30, 2012</u>	<u>U.K.</u> \$	<u>Netherlands</u> \$	<u>Other</u> \$	<u>Total</u> \$
Experience (gains) losses on assets and reimbursement rights	594	(10,119)	(1,122)	(10,647)
Actuarial (gains) losses on liabilities due to experience and change of assumptions	(10,615)	10,214	3,660	3,259
	<u>(10,021)</u>	<u>95</u>	<u>2,538</u>	<u>(7,388)</u>

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages). The assumed discount rate, rate of inflation, salary increases and mortality all have a significant effect on the accounting valuation.

<u>Year ended September 30, 2012</u>	<u>U.K.</u> %	<u>Netherlands</u> %	<u>Other</u> %	<u>Total</u> %
Discount rate	4.55	3.55	3.35	4.00
Expected return on plan assets	4.55	3.55	3.26	4.07
Future salary increases	2.60	—	—	—
Future pension increases	2.57	—	—	—
Inflation	2.60	2.00	2.10	2.31

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for the most important countries are based on the following post-retirement mortality tables: (1) UK: 110% PNXA00 (year of birth) plus CMI_2011 projections with 1% p.a. minimum long term improvement rate; and (2) Netherlands: AG Generation 2010-2060 with an age setback of 1 year.

The overall expected rate of return on plan assets is calculated as a weighted average of the expected rates of return of individual asset classes. The weighted average is calculated by reference to the amount in each class of plan assets at the end of the reporting period. The expected rates of return on bonds is determined by reference to market yields at the end of the reporting period for bonds of similar term to those held as plan assets. The expected rate of return on equities is determined by reference to real historical equity market returns.

The following table shows the sensitivity of the defined benefit obligations to changes in these assumptions:

<u>As at September 30, 2012</u>	<u>U.K.</u> \$	<u>Netherlands</u> \$	<u>Other</u> \$	<u>Total</u> \$
Increase of 0.25% in the discount rate	(18,043)	(14,154)	(5,200)	(37,397)
Decrease of 0.25% in the discount rate	19,424	13,599	5,195	38,218
Increase of 0.25% in inflation	13,698	—	778	14,476
Decrease of 0.25% in inflation	(11,902)	—	(830)	(12,732)
Increase of one year in life expectancy	8,901	6,855	2,222	17,978
Decrease of one year in life expectancy	(9,004)	(7,018)	(2,184)	(18,206)

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

29. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

a) Defined benefit plans of Logica (continued)

Actuarial assumptions (continued)

The Company expects to contribute \$18,200,000 to defined benefit plans during the next year, of which \$14,620,000 relates to UK plans, and \$3,580,000 relating to other plans.

b) Post-employment benefits plan other than pensions

The Company maintains a post-employment benefits plan other than pensions to cover certain former retired employees associated with the divested Canadian claims adjusting and risk management services business. The benefits other than pensions include a health and dental care coverage as well as life insurance coverage.

The post-employment benefits liability totaled \$7,422,000 as at September 30, 2012 (\$7,035,000 and \$6,228,000 at September 30, 2011 and October 1, 2010, respectively). The Company measures its benefits liability as at September 30 of each year. An actuarial valuation was performed at September 30, 2011, and the next actuarial valuation will be as at September 30, 2014. The accrued benefit obligation was determined based on an annual discount rate of 4.50%.

DEFINED CONTRIBUTION PLANS

The Company also operates defined contribution retirement plans in U.K. and overseas, under which contributions are paid by the Company undertakings. In some countries, contributions are made into state pension plans. The pension cost expense for defined contribution plans amounted to \$29,000,000.

In Sweden, the Company contributes to the Alecta SE pension plan which is a defined benefit pension plan. This pension plan is classified as a defined contribution plan as it is a multi-employer plan. Any surplus or deficit in the plan will affect the amount of future contributions payable. Alecta use a collective funding ratio to determine the surplus or deficit in the pension plan. The collective funding is the difference between Alecta's assets and the commitments to the policyholders and insured individuals. The collective solvency is normally allowed to vary between 125% and 155%, with the target being 140%. At September 30, 2012, Alecta's collective funding ratio was 137%. The plan expense was \$3,450,000 (SEK 23,000,000).

The Company also paid contributions to defined contribution plans for CGI's employees of \$16,194,000 in 2012 and \$14,623,000 in 2011.

OTHER BENEFIT PLANS

The Company maintains two non-qualified deferred compensation plans covering some of its U.S. management.

One of these plans is an unfunded plan and the non-qualified deferred compensation liability totaled \$846,000 as at September 30, 2012 (\$1,775,000 and \$2,376,000 at September 30, 2011 and October 1, 2010, respectively).

The other plan is a funded plan for which a trust was established so that the plan assets could be segregated; however, the assets are subject to the Company's general creditors in the case of bankruptcy. The assets, included in other long-term assets, composed of investments, vary with employees' contributions and changes in the value of the investments. The change in liability associated with the plan is equal to the change of the assets. The assets in the trust and the associated liabilities totaled \$18,878,000 as at September 30, 2012 (\$16,452,000 and \$16,318,000 as at September 30, 2011 and October 1, 2010, respectively).

The deferred compensation plans assets and liabilities are presented in other long-term assets and other long-term liabilities, respectively.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

30. Commitments, contingencies and guarantees

A) COMMITMENTS

At September 30, 2012, the Company is committed under the terms of operating leases with various expiration dates up to 2027, primarily for the rental of premises and computer equipment used in outsourcing contracts, in the aggregate amount of approximately \$1,932,336,000. The future minimum lease payments under non-cancellable operating leases are due as follows:

	\$
Less than one year	435,698
Between one and two years	328,358
Between two and five years	695,262
Beyond five years	473,018

The majority of the lease agreements are renewable at the end of the lease period at market rates. The lease expenditure charged to the earnings during the year was \$136,938,000 (\$136,142,000 in 2011), net of sub-lease income of \$8,014,000 (\$8,401,000 in 2011). As at September 30, 2012, the total future minimum sub-lease payments expected to be received under non-cancellable sub-lease were \$114,458,000 (\$61,651,000 as at September 30, 2011).

The Company entered into long-term service and other agreements representing a total commitment of \$35,457,000. Minimum payments under these agreements are due as follows:

	\$
Less than one year	17,597
Between one and two years	7,094
Between two and five years	10,766
Beyond five years	—

B) CONTINGENCIES

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

In addition, the Company is engaged to provide services under contracts with the U.S. Government. The contracts are subject to extensive legal and regulatory requirements and, from time to time, agencies of the U.S. Government investigate whether the Company's operations are being conducted in accordance with these requirements. Generally, the Government has the right to change the scope of, or terminate, these projects at its convenience. The termination or reduction in the scope, of a major government project could have a materially adverse effect on the results of operations and financial condition of the Company.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

30. Commitments, contingencies and guarantees (continued)

C) GUARANTEES

Sale of assets and business divestitures

In connection with the sale of assets and business divestitures, the Company may be required to pay counterparties for costs and losses incurred as the result of breaches in representations and warranties, intellectual property right infringement and litigation against counterparties. While some of the agreements specify a maximum potential exposure of approximately \$6,527,000 in total, others do not specify a maximum amount or limited period. It is not possible to reasonably estimate the maximum amount that may have to be paid under such guarantees. The amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. No amount has been accrued in the consolidated balance sheets relating to this type of indemnification as at September 30, 2012. The Company does not expect to incur any potential payment in connection with these guarantees that could have a materially adverse effect on its consolidated financial statements.

Other transactions

In the normal course of business, the Company may provide certain clients, principally governmental entities, with bid and performance bonds. In general, the Company would only be liable for the amount of the bid bonds if the Company refuses to perform the project once the bid is awarded. The Company would also be liable for the performance bonds in the event of default in the performance of its obligations. As at September 30, 2012, the Company provided for a total of \$48,988,000 of these bonds. To the best of its knowledge, the Company is in compliance with its performance obligations under all service contracts for which there is a performance or bid bond, and the ultimate liability, if any, incurred in connection with these guarantees would not have a materially adverse effect on the Company's consolidated results of operations or financial condition.

In addition, the Company provides a guarantee of \$5,900,000 of the residual value of a leased property accounted for as an operating lease at the expiration of the lease term. The Company also has letters of credit for a total of \$54,140,000. These guarantees are required in some of the Company's contracts with customers.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

31. Financial instruments

FAIR VALUE

At September 30, 2012 and 2011, the estimated fair values of trade accounts receivable, cash included in funds held for clients, accounts payable and accrued liabilities, accrued compensation, long-term debt obligation and clients' funds obligations approximate their respective carrying values.

The fair values of Senior U.S. unsecured notes and the unsecured committed revolving facility and the unsecured committed term loan credit facility, estimated by discounting expected cash flows at rates currently offered to the Company for debts of the same remaining maturities and conditions, are \$521,971,000 and \$685,951,000 and \$1,951,279,000 as at September 30, 2012, respectively (\$22,236,000, \$855,307,000 and nil as at September 30, 2011, respectively and \$112,937,000, \$941,396,000 and nil as at October 1, 2010, respectively), as compared to their carrying value \$467,610,000, \$691,960,000 and \$1,933,948,000, respectively (\$20,647,000, \$859,277,000 and nil as at September 30, 2011, respectively and \$109,899,000, \$964,223,000 and nil as at October 1, 2010, respectively) (Note 14).

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

	Recorded in	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Hedges on net investments in foreign operations				
US\$818,000 debt designated as the hedging instrument of the Company's net investment in U.S. operations (US\$815,000 as at September 30, 2011 and US\$920,000 as at October 1, 2010)	Long-term debt	804,667	846,703	947,416
€45,000 debt designated as a hedging instrument of the Company's net investment in European operations (€9,000 as at September 30, 2011 and €12,000 as at October 1, 2010)	Long-term debt	56,907	12,574	16,807
\$1,153,700 cross-currency swaps in euro designated as a hedging instrument of the Company's net investment in European operations (nil as at September 30, 2011 and as at October 1, 2010)	Other long-term liabilities	23,876	—	—
Cash flow hedges on future revenue				
US\$32,100 foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the U.S. dollar and the Canadian dollar (US\$76,740 as at September 30, 2011 and US\$130,380 as at October 1, 2010)	Other current assets	6,514	6,497	8,918
	Other long-term assets	1,024	5,613	11,433
US\$51,944 foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the U.S. dollar and the Indian rupee (US\$45,000 as at September 30, 2011 and US\$44,820 as at October 1, 2010)	Other current assets	—	156	2,378
	Other long-term assets	—	1	1,121
	Accrued liabilities	1,678	—	—
	Other long-term liabilities	2,697	536	—
\$53,145 foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the Canadian dollar and the Indian rupee (\$62,220 as at September 30, 2011 and \$89,040 as at October 1, 2010)	Accrued liabilities	6,533	2,560	1,570
	Other long-term liabilities	2,073	2,554	3,396

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

31. Financial instruments (continued)

FAIR VALUE (CONTINUED)

	Recorded in	As at September 30, 2012 \$	As at September 30, 2011 \$	As at October 1, 2010 \$
Cash flow hedges on Senior U.S. unsecured notes				
US\$nil foreign currency forward contracts	Other current assets	—	—	1,277
(US\$20,000 as at September 30, 2011 and US\$107,000 as at October 1, 2010)	Other long-term assets	—	565	763
Cash flow hedges on unsecured committed term loan credit facility				
\$1,234,400 interest rate swaps floating-to-fixed (nil as at September 30, 2011 and as at October 1, 2010)	Other long-term liabilities	4,202	—	—
Fair value hedges on Senior U.S. unsecured notes				
US\$125,000 interest rate swaps fixed-to-floating (nil as at September 30, 2011 and as at October 1, 2010)	Other long-term assets	1,074	—	—
Derivatives not designated as hedges				
£37,288 foreign currency forward contracts to hedge the net exposure of some assets and liabilities not denominated in the functional currencies (nil as at September 30, 2011 and as at October 1, 2010)	Accrued liabilities	2,182	—	—

Valuation techniques used to value financial instruments are as follows:

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting period;
- The fair value of interest rate swaps is determined from market quotes of the instruments; and
- The fair value of cross-currency swaps is determined based on market data (primarily yield curves and exchange rates) to calculate the present value of all estimated flows.

The Company expects that approximately \$2,063,000 of the accumulated net unrealized loss on all derivative financial instruments designated as cash flow hedges as at September 30, 2012 will be reclassified in the consolidated statements of earnings in the next 12 months.

During the year ended September 30, 2012, the Company's hedging relationships were effective.

MARKET RISK (INTEREST RATE RISK AND CURRENCY RISK)

Market risk incorporates a range of risks. Movements in risk factors, such as interest rate risk and currency risk, affect the fair values of financial assets and liabilities.

Interest rate risk

The Company is exposed to interest rate risk on a portion of its long-term debt (Note 14) and holds interest rate swaps that mitigate this risk. In 2012, the Company entered into an interest rate swaps agreement whereby the Company receives a fixed rate of interest and pays interest at a variable rate on the notional amount. The swaps are being used to hedge the exposure to changes in the fair value of its Senior U.S. unsecured notes.

The Company analyzes its interest rate risk exposure on an ongoing basis using various scenarios to simulate refinancing or the renewal of existing positions. Based on these scenarios, a change in the interest rate of 1% would not have had a significant impact on net earnings and comprehensive income.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

31. Financial instrument (continued)

MARKET RISK (INTEREST RATE RISK AND CURRENCY RISK) (CONTINUED)

Currency risk

The Company operates internationally and is exposed to risk from changes in foreign currency rates. The Company mitigates this risk principally through foreign debt and use of derivatives. The Company enters into foreign exchange forward contracts to hedge forecasted cash flows or contractual cash flows in currencies other than the functional currency of its subsidiaries. The Company has entered into the foreign currency forward contracts to hedge the variability in the foreign currency exchange rate between the U.S. dollar and the Indian rupee on future U.S. revenue, to hedge the variability in the foreign currency exchange rate between the U.S. dollar and the Canadian dollar on future U.S. revenue and to hedge the variability in foreign currency exchange rate between the Indian rupee and the Canadian dollar on future Canadian revenue.

The Company has also entered into foreign currency forward contracts to hedge the contractual principal repayments of certain Senior U.S. unsecured notes and into interest rate swaps to hedge the cash flow exposure of the issued variable rate unsecured committed term loan credit facility.

The Company also hedges a portion of the translation of the Company's net investments in its U.S. and European operations. into Canadian dollar with unsecured committed revolving facility and Senior U.S. unsecured notes as well as cross-currency swaps. Hedging relationships are designated and documented at inception and quarterly effectiveness assessments are performed during the year. In 2012, the Company entered into fixed-to-fixed and floating-to-floating cross-currency swaps as the hedging instrument of the Company's net investment in its European and Asia Pacific operations. These swaps convert Canadian dollar based fixed and variable interest payments to Euro based fixed and variable interest payments associated with the notional amount.

In addition, to mitigate foreign exchange risk arising from transactions denominated in currencies other than entity's functional currency, assets and liabilities not denominated in the functional currencies are hedged economically by means of forward contracts. The Company has not applied hedge accounting to these contracts. These exposures are then aggregated and netted and the overall position is hedged externally.

The Company is mainly exposed to fluctuations in the U.S. dollar, the euro and the British pound. The following table details the Company's sensitivity to a 10% strengthening of the U.S. dollar, the euro and the British pound foreign currency rates on net earnings and comprehensive income against the Canadian dollar. The sensitivity analysis presents the impact of foreign currency denominated financial instruments and adjusts their translation at period end for a 10% strengthening in foreign currency rates.

	2012			2011		
	U.S. dollar impact	Euro impact	British pound impact	U.S. dollar impact	Euro impact	British pound impact ¹
Increase in net earnings	5,067	5,362	5,241	565	191	—
(Decrease) increase in other comprehensive income	(44,603)	(100,593)	(3,985)	(62,887)	2,383	—

¹ The exposure in prior year was not significant.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

31. Financial instruments (continued)

LIQUIDITY RISK

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's activities are financed through a combination of the cash flows from operations, borrowing under existing credit facilities, the issuance of debt and the issuance of equity. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows.

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities. All amounts contractually denominated in foreign currency are presented in Canadian dollar equivalent amounts using the period-end spot rate.

<u>As at September 30, 2012</u>	<u>Carrying amount</u> \$	<u>Contractual cash flows</u> \$	<u>Less than one year</u> \$	<u>Between one and two years</u> \$	<u>Between two and five years</u> \$	<u>Beyond five years</u> \$
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	1,156,737	1,156,737	1,156,737	—	—	—
Accrued compensation	539,779	539,779	539,779	—	—	—
Senior U.S. unsecured notes	467,610	635,519	21,299	21,299	145,980	446,941
Unsecured committed revolving facility	691,960	762,215	16,783	16,783	728,649	—
Unsecured committed term loan credit facility	1,933,948	2,146,967	67,870	547,177	1,531,920	—
Obligations repayable in blended monthly installments	60,812	64,330	20,166	17,653	26,444	67
Other long-term debt	8,954	8,954	476	8,478	—	—
Clients' funds obligations	197,986	197,986	197,986	—	—	—
Derivative financial liabilities						
Cash flow hedges on future revenue	5,443					
Outflow		14,265	8,620	2,915	2,730	—
(Inflow)		(7,603)	(6,556)	(1,047)	—	—
Cross-currency swaps	23,876					
Outflow		1,254,517	22,612	22,612	1,209,293	—
(Inflow)		(1,288,939)	(38,519)	(38,519)	(1,211,901)	—
Interest rate swaps	3,128					
Outflow		1,445,111	20,665	469,874	812,132	142,440
(Inflow)		(1,457,023)	(21,489)	(469,624)	(815,336)	(150,574)
Forward contracts	2,182					
Outflow		406,881	406,881	—	—	—
(Inflow)		(404,741)	(404,741)	—	—	—
	<u>5,092,415</u>	<u>5,474,955</u>	<u>2,008,569</u>	<u>597,601</u>	<u>2,429,911</u>	<u>438,874</u>
 <u>As at September 30, 2011</u>						
Non-derivative financial liabilities						
Bank overdraft	75,538	75,538	75,538	—	—	—
Accounts payable and accrued liabilities	303,641	303,641	303,641	—	—	—
Accrued compensation	183,842	183,842	183,842	—	—	—
Senior U.S. unsecured notes	20,647	23,895	1,247	1,247	21,401	—
Unsecured committed revolving facility	859,277	866,560	866,560	—	—	—
Obligations repayable in blended monthly installments	58,575	62,987	15,553	15,898	30,242	1,294
Clients' funds obligations	244,660	244,660	244,660	—	—	—
Derivative financial liabilities						
Cash flow hedges on future revenue	(6,617)					
Outflow		6,237	2,675	2,423	1,139	—
(Inflow)		(12,535)	(6,772)	(4,972)	(791)	—
	<u>1,739,563</u>	<u>1,754,825</u>	<u>1,686,944</u>	<u>14,596</u>	<u>51,991</u>	<u>1,294</u>

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

31. Financial instruments (continued)

LIQUIDITY RISK (CONTINUED)

As at October 1, 2010	Carrying amount \$	Contractual cash flows \$	Less than one year \$	Between one and two years \$	Between two and five years \$	Beyond five years \$
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	297,801	297,801	297,801	—	—	—
Accrued compensation	185,651	185,651	185,651	—	—	—
Senior U.S. unsecured notes	109,899	116,799	93,113	1,236	22,450	—
Unsecured committed revolving facility	964,223	977,861	9,092	968,769	—	—
Obligations repayable in blended monthly installments	22,049	23,961	6,292	5,052	11,211	1,406
Clients' funds obligations	248,695	248,695	248,695	—	—	—
Derivative financial liabilities						
Cash flow hedges on future revenue	(18,884)					
Outflow		5,562	1,637	1,740	2,185	—
(Inflow)		(24,658)	(11,447)	(7,323)	(5,888)	—
	<u>1,809,434</u>	<u>1,831,672</u>	<u>830,834</u>	<u>969,474</u>	<u>29,958</u>	<u>1,406</u>

As at September 30, 2012, the Company holds cash and cash equivalents and short-term and long-term investments of \$143,095,000 (\$161,686,000 and \$121,725,000 as at September 30, 2011 and October 1, 2010, respectively). The Company also has available \$786,089,000 in unsecured committed revolving facility (Note 14) (\$622,406,000 and \$519,931,000 as at September 30, 2011 and October 1, 2010, respectively). The funds held for clients of \$202,407,000 (\$247,622,000 and \$ 248,695,000 as at September 30, 2011 and October 1, 2010, respectively) fully cover the clients' funds obligations. Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

31. Financial instruments (continued)

CREDIT RISK

The Company takes on exposure to credit risk, which is the risk that a client will be unable to pay amounts in full when due. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, short-term investments, work in progress, accounts receivable and long-term investments. The maximum exposure of credit risk is generally represented by the carrying amounts of these items reported on the consolidated balance sheets.

Cash equivalents consist mainly of highly liquid investments, such as money market funds and term deposits, as well as bankers' acceptances and bearer deposit notes issued by major banks (Note 4). The Company has deposited the cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

The Company is exposed to credit risk in connection with short-term and long-term investments through the possible inability of borrowers to meet the terms of their bonds. The Company mitigates this risk by investing primarily in high credit quality corporate and government bonds with a credit rating of A or higher.

The Company has accounts receivable and work in progress derived from clients engaged in various industries including governmental agencies, finance, telecommunications, manufacturing and utilities that are not concentrated in any specific geographic area. These specific industries may be affected by economic factors that may impact accounts receivable. However, management does not believe that the Company is subject to any significant credit risk in view of the Company's large and diversified client base.

The following table sets forth details of the age of accounts receivable that are past due:

	<u>2012</u>	<u>2011</u>
	\$	\$
Not past due	996,404	301,972
Past due 1-30 days	161,872	42,653
Past due 31-60 days	43,636	25,993
Past due 61-90 days	26,091	7,437
Past due more than 90 days	47,868	14,371
	1,275,871	392,426
Allowance for doubtful accounts	(3,546)	(5,197)
	<u>1,272,325</u>	<u>387,229</u>

The carrying amount of accounts receivable is reduced by an allowance account and the amount of the loss is recognized in the consolidated statements of earnings within costs of services, selling and administrative. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against costs of services, selling and administrative in the consolidated statements of earnings. Overall, management does not believe that any single industry or geographic region represents a significant credit risk to the Company.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

32. Capital risk management

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to these risks.

The Company manages its capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance. At September 30, 2012, total managed capital was \$6,813,837,000 (\$3,441,060,000 and \$3,424,836,000 as at September 30, 2011 and October 1, 2010, respectively). Managed capital consists of long-term debt, including the current portion (Note 14), cash and cash equivalents net of bank overdraft (Note 4), short-term investments, long-term investments and shareholders' equity. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in the business environment. When capital needs have been specified, the Company's management proposes capital transactions for the approval of the Company's Audit and Risk Management Committee and Board of Directors. The capital risk policy remains unchanged from prior periods.

The Company monitors its capital by reviewing various financial metrics, including the following:

- Debt/Capitalization
- Net Debt/Capitalization
- Debt/EBITDA

Debt represents long-term debt, including the current portion. Net debt, capitalization and EBITDA are non-GAAP measures. Net debt represents debt (including the impact of the fair value of forward contracts) less cash and cash equivalents net of bank overdraft, short-term investments and long-term investments. Capitalization is shareholders' equity plus debt. EBITDA is calculated as earnings from continuing operations before income taxes, interest expense on long-term debt, depreciation, amortization and acquisition-related and integration costs. The Company believes that the results of the current internal ratios are consistent with its capital management objectives.

The Company is subject to external covenants on its Senior U.S. unsecured notes, its unsecured committed revolving facility and unsecured committed term loan credit facility. The ratios are as follows:

- A leverage ratio, which is the ratio of total debt to EBITDA for the four most recent quarters¹.
- An interest and rent coverage ratio, which is the ratio of the EBITDAR for the four most recent quarters to the total interest expense and the operating rentals in the same periods. EBITDAR, a non-GAAP measure, is calculated as EBITDA before rent expense¹.
- In the case of the Senior U.S. unsecured notes, a minimum net worth is required, whereby shareholders' equity, excluding foreign exchange translation adjustments included in accumulated other comprehensive income, cannot be less than a specified threshold.

These ratios are calculated on a consolidated basis.

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.

¹ In the event of an acquisition, the available historical financial information of the acquired company will be used in the computation of the ratios.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

33. Transition to IFRS

As discussed in Note 2, these consolidated financial statements represent the first annual financial statements prepared in accordance with IFRS. IFRS 1 requires that comparative financial information be provided. The first date at which IFRS was applied was October 1, 2010 ("Transition Date") and, as a result, reconciliations for the respective periods noted are included below.

RECONCILIATIONS OF CANADIAN GAAP TO IFRS

As required by IFRS 1, the following represents reconciliations from Canadian GAAP to IFRS for the respective periods noted for consolidated equity, net earnings, comprehensive income and cash flows from the perspective of each adjustment. A discussion of the adjustments, other initial elections upon IFRS adoption, as well as selected consolidated financial statements for comparative periods are presented further below.

Reconciliation of consolidated equity

	As at September 30, 2011 \$	As at October 1, 2010 \$
Total equity previously reported under Canadian GAAP	2,346,356	2,159,083
Differences increasing (decreasing) reported equity:		
C Employee benefits	(1,845)	(1,213)
D Decommissioning liabilities included in the cost of PP&E	(899)	(903)
H Reversal of intangible asset impairment	452	539
I Reversal of contract cost impairment	—	1,265
K Income taxes	8,445	827
L Commitment to purchase outstanding shares of non-controlling interest	—	(10,363)
N Onerous leases	(3,278)	—
Total adjustments	2,875	(9,848)
Total equity under IFRS	2,349,231	2,149,235

Reconciliation of consolidated net earnings

	Year ended September 30, 2011 \$
Net earnings previously reported under Canadian GAAP	435,065
Differences increasing (decreasing) reported net earnings:	
H Reversal of intangible asset impairment	(87)
I Reversal of contract cost impairment	(1,208)
J Share-based payments	(1,224)
K Income taxes	5,103
L Commitment to purchase outstanding shares of non-controlling interest	3,655
N Onerous leases	(3,165)
Total adjustments	3,074
Net earnings under IFRS	438,139

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

33. Transition to IFRS (continued)

Reconciliation of consolidated comprehensive income

	Year ended September 30, 2011
	\$
Comprehensive income reported under Canadian GAAP	435,241
Total differences increasing net earnings	3,074
Differences increasing (decreasing) reported other comprehensive income:	
C Employee benefits	(632)
D, I, K, N Foreign currency translation adjustments	559
	(73)
Comprehensive income under IFRS	438,242

Reconciliation of consolidated cash flows

There were no significant changes in the consolidated statements of cash flows on adoption of IFRS other than as a result of accounting for the investment in the joint venture under the equity method as described in adjustment M below.

DISCUSSION OF ADJUSTMENTS

Initial elections upon IFRS adoption

Set forth below are the IFRS 1 optional exemptions applied in the conversion from Canadian GAAP to IFRS. Exemptions that were not elected, not applicable or not considered material to the Company are not included in the discussion.

A. Business combinations

IFRS 1 provides the option to apply IFRS 3, “Business Combinations” (as revised in 2008), retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company elected not to retrospectively apply IFRS 3. As a result, there is no adjustment as at October 1, 2010 related to business combinations entered into prior to the Transition Date. IFRS 3 will be applied to business combinations entered into subsequently. Additionally, due to the Company’s election to apply IFRS 3 prospectively, IAS 27, “Consolidated and Separate Financial Statements”, will also be applied prospectively. With the early adoption of Section 1582, “Business Combinations”, under Canadian GAAP as at October 1, 2009, there was no adjustment required for the year ended September 30, 2011 as it is similar to the corresponding provisions of IFRS 3.

B. Currency translation differences

Retrospective application of IFRS would require the Company to determine cumulative foreign currency translation differences in accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates”, from the date a subsidiary was formed or acquired to the Transition Date. IFRS 1 permits cumulative foreign translation gains and losses to be reset to zero at the Transition Date. The Company elected to apply this exemption. As a result, as at October 1, 2010, the Company reversed the balance of \$413,021,000 within “net unrealized losses on translating financial statements of self-sustaining foreign operations” and \$76,806,000 within “net unrealized gains on translating long-term debt designated as a hedge of net investments in self-sustaining foreign operations” included in accumulated other comprehensive loss. The net loss of \$336,215,000 was recognized as a decrease to accumulated other comprehensive loss with a corresponding decrease to retained earnings. This adjustment did not have any further impact on the consolidated financial statements.

33. Transition to IFRS (continued)

C. Employee benefits

IFRS 1 provides the option to recognize all cumulative actuarial gains and losses deferred as a result of applying the corridor approach in accounting for defined benefit plans in retained earnings at the Transition Date. The Company elected to apply this exemption. As a result, as at October 1, 2010, retirement benefits obligations decreased by \$780,000 and after a related increase to deferred income tax liabilities of \$209,000, retained earnings increased by \$571,000. Additionally, the Company's joint venture applied the same exemption and as a result, the investment in the joint venture decreased by \$1,784,000 with a corresponding decrease to retained earnings. For the year ended September 30, 2011, the impact of this adjustment on the consolidated financial statements was not significant.

As a result of an actuarial valuation as at September 30, 2011, retirement benefits obligations increased by \$849,000 and after a related decrease to deferred income tax liabilities of \$217,000, accumulated other comprehensive loss increased by \$632,000.

D. Decommissioning liabilities included in the cost of PP&E

Upon adoption of IFRS, the Company's decommissioning liability was revalued according to the discount rate specified in IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". IFRIC 1, "Changes in Existing Decommissioning, Restoration and Similar Liabilities", requires specified changes in a decommissioning liability to be added to or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. IFRS 1 allows a first-time adopter a simplified treatment of historic changes when estimating the decommissioning liability between initial inception of the liability and the Transition Date. The Company elected to apply the method specified within IFRS 1 for valuing the decommissioning liability. As a result, as at October 1, 2010, PP&E decreased by \$723,000 and long-term provisions increased by \$562,000. After a related decrease to deferred income tax liabilities of \$184,000 and an increase to deferred income tax assets of \$198,000, retained earnings decreased by \$903,000.

As a result of a new decommissioning liability as at September 30, 2011, PP&E and long-term provisions increased by \$319,000 when discounted in accordance with IFRS. For the year ended September 30, 2011, the impact of this adjustment on the consolidated statements of earnings was not significant.

Additionally, as at and for the year ended September 30, 2011, there was an insignificant adjustment to other comprehensive loss due to a foreign currency translation adjustment on the Transition Date adjustment.

E. Borrowing costs

IFRS 1 allows the Company to choose the effective date of IAS 23, "Borrowing Costs". As such, the Company elected to capitalize borrowing costs for qualifying assets for which acquisition, construction or development commenced on or after the Transition Date. For the year ended September 30, 2011, no borrowing costs were eligible for capitalization.

33. Transition to IFRS (continued)

Mandatory exceptions upon IFRS adoption

Set forth below are the applicable mandatory exceptions in IFRS 1 applied in the conversion from Canadian GAAP to IFRS.

F. Hedge accounting

Hedge accounting can only be applied prospectively from the Transition Date to transactions that satisfy the hedge accounting criteria in IAS 39, "Financial Instruments: Recognition and Measurement", at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfy the hedge accounting criteria as of the Transition Date are reflected as hedges in the Company's results under IFRS. The application of this mandatory exception did not result in any adjustments in the consolidated financial statements.

G. Estimates

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Other explanatory notes

H. Reversal of intangible asset impairment

Under Canadian GAAP, the reversal of impairment losses was prohibited. Under IFRS, the reversal of impairment losses is recognized for assets other than goodwill if certain criteria are met. Upon adoption of IFRS, the Company reversed an impairment within the Canada operating segment recognized under Canadian GAAP as a result of changes in the expected cash flows relating to a business solution. As a result, as at October 1, 2010, intangible assets increased by \$779,000 and after a related increase to deferred income tax liabilities of \$240,000, retained earnings increased by \$539,000.

The impairment reversal resulted in additional amortization expense during the fiscal 2011 year. As a result, as at and for the year ended September 30, 2011, intangible assets decreased and amortization within costs of services, selling and administrative increased by \$126,000, while deferred tax liabilities and income tax expense decreased by \$39,000.

I. Reversal of contract cost impairment

Under Canadian GAAP, contract costs consisting of transition costs and incentives were classified as intangible assets. Under IFRS, contract costs are recognized in accordance with IAS 11, "Construction Contracts" and no longer qualify as intangible assets. Upon adoption of IFRS, the Company reversed an impairment loss on a contract cost that was recognized under Canadian GAAP due to the fact that at the Transition Date the contract was profitable. As a result, as at October 1, 2010, contract costs increased by \$2,095,000 and after a related increase to deferred income tax liabilities of \$830,000, retained earnings increased by \$1,265,000.

The contract associated with the reversal was terminated in the last quarter of fiscal 2011. As a result, as at September 30, 2011, the reversal of the remaining net carrying amount resulted in a decrease to contract costs and deferred tax liabilities of \$2,100,000 and \$835,000, respectively. For the year ended September 30, 2011, revenue and income tax expense decreased by \$806,000 and \$793,000, respectively, and costs of services, selling and administrative increased by \$1,195,000.

33. Transition to IFRS (continued)

I. Reversal of contract cost impairment (continued)

Additionally, as at and for the year ended September 30, 2011, there was an insignificant adjustment to other comprehensive loss due to a foreign currency translation adjustment on the Transition Date adjustment.

J. Share-based payments

Under Canadian GAAP, for grants of share-based awards with graded vesting, the total fair value of the award was recognized on a straight-line basis over the employment period necessary to vest the award. Under IFRS, each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value, and each grant is accounted for on that basis. As a result of the difference of accounting for each grant of graded share-based awards, as at October 1, 2010, contributed surplus increased by \$8,100,000 with a corresponding decrease to retained earnings.

As at and for the year ended September 30, 2011, the adjustment resulted in an increase of contributed surplus and costs of services, selling and administrative of \$1,224,000.

K. Income Taxes

Assets or liabilities acquired other than in a business combination

Under Canadian GAAP, the carrying amount of an asset or liability acquired other than in a business combination was adjusted for by the amount of the related recognized deferred tax asset or liability. Under IFRS, a deferred tax asset or liability cannot be recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and if at the time of the transaction neither accounting profit nor taxable profit is affected. As a result, as at October 1, 2010, the Company decreased deferred tax liabilities by \$3,423,000, intangible assets by \$3,414,000, contract costs by \$542,000 and deferred tax assets by \$5,049,000 with a corresponding decrease to other long-term liabilities of \$895,000 and retained earnings of \$4,687,000.

The adjustment resulted in less amortization expense during the fiscal 2011 year. As a result, as at and for the year ended September 30, 2011, intangible assets increased and amortization within costs of services, selling and administrative decreased by \$1,235,000, contract costs increased and revenue increased by \$89,000 and deferred tax liabilities and income tax expense increased by \$381,000.

Additionally, as at and for the year ended September 30, 2011, there was an insignificant adjustment to other comprehensive loss due to a foreign currency translation adjustment on the Transition Date adjustment.

Share-based payments

Under Canadian GAAP, a deferred tax asset was recognized on the difference between the accounting expense and the tax deduction relating to share-based payments. Under IFRS, the deferred tax asset recognized in relation to the share-based payments is adjusted each period to reflect the amount of the tax deduction the Company would receive if the award was tax deductible in the current period based on the current market price of the shares. If the estimated future tax deduction exceeds the related cumulative share-based payment costs, the excess deferred tax is recognized in contributed surplus. As a result, as at October 1, 2010, deferred tax liabilities decreased by \$5,514,000 and retained earnings increased by \$2,129,000 while contributed surplus increased by \$3,385,000.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

33. Transition to IFRS (continued)

K. Income Taxes (continued)

Share-based payments (continued)

As at and for the year ended September 30, 2011, deferred tax liabilities decreased by \$6,641,000, contributed surplus increased by \$1,790,000 and income tax expense decreased by \$4,160,000.

Additionally, as at and for the year ended September 30, 2011, there was an insignificant adjustment to other comprehensive loss due to a foreign currency translation adjustment on the Transition Date adjustment.

L. Commitment to purchase outstanding shares of non-controlling interest

Under Canadian GAAP, the value of the put and call option to purchase the remaining shares of Conseillers en informatique d'Affaires ("CIA") was disclosed as a commitment, but not recorded as a liability. Under IFRS, it must be recorded as a liability. As a result, as at October 1, 2010, accounts payable and accrued liabilities increased by \$10,363,000, the equity attributable to non-controlling interest of \$6,452,000 was eliminated and retained earnings decreased by the remaining balance of \$3,911,000.

As at and for the year ended September 30, 2011, additional equity attributable to non-controlling interest of \$256,000 was reversed through retained earnings. Additionally, CIA repurchased the Company's shares in CIA and the Company simultaneously purchased the portion of the operations carried out in CIA's Paris office. As a result, under IFRS the liability relating to the put and call option to purchase the remaining shares of CIA of \$10,363,000 was reversed and a gain of \$3,655,000 was recognized within other income in the consolidated statements of earnings.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

33. Transition to IFRS (continued)

M. Accounting for joint venture

Under Canadian GAAP, the Company accounted for its investment in its joint venture under the proportionate consolidation method. Under IFRS, IAS 31, "Interests in Joint Ventures", allows a company to account for any joint venture interest under either the proportionate consolidation or equity method. As of the Transition Date, the Company elected to account for its investment in its joint venture under the equity method. As a result, the consolidated balance sheets have been adjusted to remove the effect of proportionate consolidation and to account for its joint venture as an investment as follows:

	Adjustment as at October 1, 2010 \$	Adjustment as at September 30, 2011 \$
Current assets		
Cash and cash equivalents	(19,295)	(21,550)
Accounts receivable	(9,527)	(9,456)
Work in progress	(1,318)	(9,137)
Prepaid expenses and other current assets	(7,646)	(3,763)
Total current assets	(37,786)	(43,906)
Property, plant and equipment	(669)	(645)
Contract costs	(478)	(479)
Intangible assets	(1,207)	(864)
Other long-term assets	(638)	(321)
Deferred tax assets	(362)	(381)
Investment in joint venture	24,598	28,157
Total assets	(16,542)	(18,439)
Current liabilities		
Accounts payable and accrued liabilities	(5,940)	(7,424)
Accrued compensation	(5,835)	(6,127)
Deferred revenue	(2,491)	(1,875)
Income taxes	(1,343)	(2,019)
Total current liabilities	(15,609)	(17,445)
Deferred tax liabilities	(404)	(661)
Other long-term liabilities	(529)	(333)
Total liabilities	(16,542)	(18,439)

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

33. Transition to IFRS (continued)

M. Accounting for joint venture (continued)

Under Canadian GAAP, the amounts below were included in the consolidated statements of earnings. Under IFRS, as a result of the application of the equity method, the amounts were removed from their respective lines and accounted for in a single line to reflect the share of profit on joint venture in the consolidated statements of earnings.

	Year ended September 30, 2011
	\$
Revenues	98,578
Operating expenses	
Costs of services, selling and administrative	80,080
Finance income	(207)
Foreign exchange loss	86
	79,959
Earnings before income taxes	18,619
Income tax expense	5,260
Share of profit on joint venture	13,359

N. Onerous leases

Under IFRS, the criteria for recognizing provisions for onerous leases result in provisions being recognized earlier than under Canadian GAAP. As at September 30, 2011, additional provisions for onerous leases were required. As a result, short-term provisions increased by \$1,532,000, long-term provisions increased by \$3,700,000 and deferred tax liabilities decreased by \$1,987,000. Related leasehold improvements of \$722,000 were deducted from PP&E. Additionally accounts payable and accrued liabilities and other long-term liabilities decreased due to related rent credits by \$87,000 and \$602,000, respectively. This resulted in an increase of \$5,091,000 in cost of services, selling and administration and a decrease in income tax expense of \$1,926,000 for the year ended September 30, 2011.

Additionally, there was an insignificant adjustment to other comprehensive loss due to a foreign currency translation adjustment on these adjustments.

Presentation reclassifications

O. Provisions

Under Canadian GAAP, provisions for onerous leases and other were presented within accounts payable and accrued liabilities or other long-term liabilities. Under IFRS, these provisions require separate line disclosure on the face of the balance sheet according to their short-term or long-term classification. As a result, as at October 1, 2010, \$10,998,000 was reclassified from accounts payable and accrued liabilities into short-term provisions and \$8,703,000 was reclassified from other long-term liabilities to long-term provisions. As at September 30, 2011, \$10,593,000 was reclassified from accounts payable and accrued liabilities into short-term provisions and \$23,091,000 was reclassified from other long-term liabilities to long-term provisions.

33. Transition to IFRS (continued)

P. Tax reclassification

Under Canadian GAAP, deferred taxes were split between current and non-current components on the basis of either the underlying asset or liability or the expected reversal of items not related to an asset or liability. Under IFRS, all deferred tax assets and liabilities are classified as non-current. As a result, as at October 1, 2010, the short-term portion of future income tax assets of \$16,509,000 was reclassified to deferred income tax assets and the short-term portion of future income tax liabilities of \$26,423,000 was reclassified to deferred income tax liabilities and as at September 30, 2011, the short-term portion of future income tax assets of \$3,522,000 was reclassified to deferred income tax assets and the short-term portion of future income tax liabilities of \$20,389,000 was reclassified to deferred income tax liabilities.

Q. Contract costs

Under Canadian GAAP, contract costs consisting of transition costs and incentives were classified as intangible assets. Under IFRS, transition costs and incentives provided in the form of cash or equity instruments are presented separately as contract costs and incentives provided in the form of discounts are presented within accounts receivable. As a result, as at October 1, 2010, \$97,420,000 of transition costs and \$34,614,000 of incentives in the form of cash or equity instruments were reclassified from intangible assets to contract costs and \$11,842,000 was reclassified from intangible assets to accounts receivable. As at September 30, 2011, \$78,747,000 of transition costs and \$29,432,000 of incentives in the form of cash or equity instruments were reclassified from intangible assets to contract costs and \$5,185,000 was reclassified from intangible assets to accounts receivable.

R. Classification of long-term debt

Under Canadian GAAP, an amount due under an existing unsecured revolving facility maturing within the next 12 months was classified as long-term as at September 30, 2011 due to the fact that the Company entered into a private placement financing that was to be drawn down no later than December 15, 2011 with management's intention of reimbursing part of the unsecured revolving facility with the proceeds of the private placement. Under IFRS, since the intention to reimburse with the proceeds of the private placement cannot be considered, the amount due under the unsecured revolving facility is classified as short-term as at September 30, 2011. As a result, an amount of \$493,478,000 was classified from long-term debt to the current portion of long-term debt as at September 30, 2011.

S. Costs of services, selling and administrative

Under Canadian GAAP, amortization and other income were presented as separate lines within the consolidated statements of income. Under IFRS, the Company chooses to present expenses according to their function. As a result, for the year ended September 30, 2011, amortization of \$211,372,000 and a portion of other income of \$75,000 were reclassified into costs of services, selling and administrative.

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

33. Transition to IFRS (continued)

COMPARATIVE FINANCIAL STATEMENTS

The following reconciliations illustrate the impact of adjustments and reclassifications from Canadian GAAP to IFRS for the consolidated balance sheet as at the Transition Date and as at September 30, 2011 and for the consolidated statements of earnings for the year ended September 30, 2011.

Reconciliation of consolidated balance sheet

As at October 1, 2010	Canadian GAAP		Adjustments	IFRS
	\$		\$	\$
Assets				
Current assets				
Cash and cash equivalents	127,824	M	(19,295)	108,529
Short-term investments	13,196		—	13,196
Accounts receivable	423,926	M, Q	2,315	426,241
Work in progress	358,984	M	(1,318)	357,666
Prepaid expenses and other current assets	76,844	M	(7,646)	69,198
Income taxes	7,169		—	7,169
Future income taxes	16,509	P	(16,509)	—
Total current assets before funds held for clients	1,024,452		(42,453)	981,999
Funds held for clients	248,695		—	248,695
Total current assets	1,273,147		(42,453)	1,230,694
Property, plant and equipment	238,024	D, M	(1,392)	236,632
Contract costs	—	I, K, M, Q	133,109	133,109
Intangible assets	516,754	H, K, M, Q	(147,718)	369,036
Other long-term assets	42,261	M	(638)	41,623
Deferred tax assets	11,592	D, K, M, P	11,296	22,888
Investment in joint venture	—	C, M	22,814	22,814
Goodwill	2,525,413		—	2,525,413
	<u>4,607,191</u>		<u>(24,982)</u>	<u>4,582,209</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	304,376	L, M, O	(6,575)	297,801
Accrued compensation	191,486	M	(5,835)	185,651
Deferred revenue	145,793	M	(2,491)	143,302
Income taxes	86,877	M	(1,343)	85,534
Provisions	—	O	10,998	10,998
Future income taxes	26,423	P	(26,423)	—
Current portion of long-term debt	114,577		—	114,577
Total current liabilities before clients' funds obligations	869,532		(31,669)	837,863
Clients' funds obligations	248,695		—	248,695
Total current liabilities	1,118,227		(31,669)	1,086,558
Deferred tax liabilities	170,683	C, D, H, I, K, M, P	18,177	188,860
Long-term provisions	—	D, O	9,265	9,265
Long-term debt	1,039,299		—	1,039,299
Retirement benefits obligations	7,008	C	(780)	6,228
Other long-term liabilities	112,891	K, M, O	(10,127)	102,764
	<u>2,448,108</u>		<u>(15,134)</u>	<u>2,432,974</u>
Equity				
Attributable to shareholders of CGI Group Inc.				
Retained earnings	1,196,386	B, C, D, H, I, J, K, L	(351,096)	845,290
Accumulated other comprehensive (loss) income	(321,746)	B	336,215	14,469
Capital stock	1,195,069		—	1,195,069
Contributed surplus	82,922	J, K	11,485	94,407

Attributable to shareholders of CGI Group Inc.	2,152,631		(3,396)	2,149,235
Attributable to non-controlling interest	<u>6,452</u>	L	<u>(6,452)</u>	<u>—</u>
	<u>2,159,083</u>		<u>(9,848)</u>	<u>2,149,235</u>
	<u>4,607,191</u>		<u>(24,982)</u>	<u>4,582,209</u>

CGI Group Inc. – Consolidated Financial Statements for the years ended September 30, 2012 and 2011

75

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

33. Transition to IFRS (continued)

Reconciliation of consolidated balance sheet

As at September 30, 2011	Canadian GAAP		Adjustments	IFRS
	\$		\$	\$
Assets				
Current assets				
Cash and cash equivalents	157,761	M	(21,550)	136,211
Short-term investments	10,166		—	10,166
Accounts receivable	494,755	M, Q	(4,271)	490,484
Work in progress	400,203	M	(9,137)	391,066
Prepaid expenses and other current assets	104,170	M	(3,763)	100,407
Income taxes	4,252		—	4,252
Future income taxes	3,522	P	(3,522)	—
Total current assets before funds held for clients	1,174,829		(42,243)	1,132,586
Funds held for clients	247,622		—	247,622
Total current assets	1,422,451		(42,243)	1,380,208
Property, plant and equipment	251,668	D, M, N	(1,767)	249,901
Contract costs	—	I, K, M, Q	107,242	107,242
Intangible assets	407,887	H, K, M, Q	(115,754)	292,133
Other long-term assets	55,914	M	(321)	55,593
Deferred tax assets	11,601	D, K, M, P	(1,719)	9,882
Investment in joint venture	—	C, M	26,373	26,373
Goodwill	2,536,022		—	2,536,022
	<u>4,685,543</u>		<u>(28,189)</u>	<u>4,657,354</u>
Liabilities				
Current liabilities				
Bank overdraft	75,538		—	75,538
Accounts payable and accrued liabilities	321,745	L, M, N, O	(18,104)	303,641
Accrued compensation	189,969	M	(6,127)	183,842
Deferred revenue	154,813	M	(1,875)	152,938
Income taxes	53,841	M	(2,019)	51,822
Provisions	—	N, O	12,125	12,125
Future income taxes	20,389	P	(20,389)	—
Current portion of long-term debt	402,534	R	493,478	896,012
Total current liabilities before clients' funds obligations	1,218,829		457,089	1,675,918
Clients' funds obligations	244,660		—	244,660
Total current liabilities	1,463,489		457,089	1,920,578
Deferred tax liabilities	146,889	C, D, H, I, K, M, N, P	2,505	149,394
Long-term provisions	—	D, N, O	27,672	27,672
Long-term debt	603,147	R	(493,478)	109,669
Retirement benefits obligations	6,966	C	69	7,035
Other long-term liabilities	118,696	K, M, N, O	(24,921)	93,775
	<u>2,339,187</u>		<u>(31,064)</u>	<u>2,308,123</u>
Equity				
Retained earnings	1,405,365	B, C, D, H, I, J, K, L, N	(347,766)	1,057,599
Accumulated other comprehensive (loss) income	(321,570)	B, C, D, I, K, N	336,142	14,572
Capital stock	1,178,559		—	1,178,559
Contributed surplus	84,002	J, K	14,499	98,501
	<u>2,346,356</u>		<u>2,875</u>	<u>2,349,231</u>
	<u>4,685,543</u>		<u>(28,189)</u>	<u>4,657,354</u>

Notes to the Consolidated Financial Statements
For the years ended September 30, 2012 and 2011
(tabular amounts only are in thousands of Canadian dollars, except share data)

33. Transition to IFRS (continued)

Reconciliation of consolidated statements of earnings

<u>Year ended September 30, 2011</u>	<u>Canadian GAAP</u>		<u>Adjustments</u>	<u>IFRS</u>
	\$		\$	\$
Revenues	4,323,237	I, K, M	(99,295)	4,223,942
Operating expenses				
Costs of services, selling and administrative	3,553,192	H, I, J, K, M, N, S	137,768	3,690,960
Amortization and depreciation	211,372	S	(211,372)	—
Acquisition-related and integration costs	3,675		—	3,675
Finance costs	19,395		—	19,395
Finance income	(3,759)	M	207	(3,552)
Other income	(3,917)	L, S	(3,730)	(7,647)
Foreign exchange gain	(3,279)	M	(86)	(3,365)
Share of profit in joint venture	—	M	(13,359)	(13,359)
	3,776,679		(90,572)	3,686,107
Earnings before income taxes	546,558		(8,723)	537,835
Income tax expense	111,493	H, I, K, M, N	(11,797)	99,696
Net earnings	435,065		3,074	438,139
Earnings per share				
Basic earnings per share	1.64			1.65
Diluted earnings per share	1.58			1.59

CGI Group Inc. – Consolidated Financial Statements for the years ended September 30, 2012 and 2011

77



MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR 2012

November 28, 2012

Basis of Presentation

This Management's Discussion and Analysis of the Financial Position and Results of Operations ("MD&A") is the responsibility of management and has been reviewed and approved by the Board of Directors. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out its responsibility mainly through its Audit and Risk Management Committee, which is appointed by the Board of Directors and is comprised entirely of independent and financially literate directors.

Throughout this document, CGI Group Inc. is referred to as "CGI", "we", "our" or "Company". This MD&A provides information management believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition of the Company. This document should be read in conjunction with the audited consolidated financial statements and the notes thereto for the years ended September 30, 2012 and 2011. CGI's accounting policies are in accordance with International Financials Reporting Standards ("IFRS") of the International Accounting Standards Board ("IASB"). All dollar amounts are in Canadian dollars unless otherwise indicated.

First Year Reporting under IFRS

The year's audited consolidated financial statements and this MD&A represent our first fiscal year reporting under IFRS. Under the rules and regulations of the U.S. Securities and Exchange Commission, CGI is classified as a foreign private issuer and is therefore permitted to use IFRS. CGI transitioned from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS on October 1, 2010 and adjusted the financial results of fiscal 2011 to reflect the adoption of IFRS. Note 33 to the audited consolidated financial statements for the year ended September 30, 2012 contains a detailed description of our conversion to IFRS, including a reconciliation of key items from Canadian GAAP to IFRS. Periods prior to October 1, 2010 presented in this MD&A have not been adjusted and are in accordance with Canadian GAAP.

Although the adoption of IFRS resulted in adjustments to our consolidated financial statements, it did not materially impact the underlying cash flows or profitability trends of our operating performance, debt covenants or compensation arrangements.

Materiality of Disclosures

This MD&A includes information we believe is material to investors. We consider something to be material if it results in, or would reasonably be expected to result in, a significant change in the market price or value of our shares, or if it is likely that a reasonable investor would consider the information to be important in making an investment decision.

Forward-Looking Statements

All statements in this MD&A that do not directly and exclusively relate to historical facts constitute "forward-looking statements" within the meaning of that term in Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934, as amended, and are "forward-looking information" within the meaning of Canadian securities laws. These statements and this information represent CGI's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties and other factors, of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements or forward-looking information. These factors include but are not restricted to: the timing and size of new contracts; acquisitions and other corporate developments; the ability to attract and retain qualified members; market competition in the rapidly evolving information technology industry; general economic and business conditions; foreign exchange and other risks identified in the MD&A, in CGI's Annual Report on Form 40-F filed with the U.S. Securities and Exchange Commission (filed on EDGAR at www.sec.gov), the Company's Annual Information Form filed with the Canadian securities authorities (filed on SEDAR at 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 Section 10 – Risk Environment.

Non-GAAP Measures

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

1. Earnings before acquisition-related and integration costs, finance costs, finance income, other income, share of profit on joint venture, and income tax expense (“adjusted EBIT”);
2. Constant currency growth;
3. Days Sales Outstanding (“DSO”);
4. Return on Invested Capital (“ROIC”);
5. Return on Equity (“ROE”); and
6. Net Debt to Capitalization ratio.

Management believes that these non-GAAP measures provide useful information to investors regarding the Company’s financial condition and results of operations as they provide additional measures of its performance. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with IFRS.

A reconciliation of adjusted EBIT to its closest IFRS measure can be found on page 20. Definitions of constant currency growth, DSO, ROIC, ROE, and net debt to capitalization are provided on pages 9 and 10. A discussion of DSO, ROIC, ROE and net debt to capitalization can be found on page 27.

Change in Reporting Segments

In 2012, we modified our basis of reporting such that the growth and profitability of the India activities were reallocated from our previously combined U.S. and India segment to each reporting segment, namely: Global Infrastructure Services (“GIS”), Canada, U.S., and Europe & Asia Pacific. This view reflects each segment’s utilization of our delivery centres in India; the segmented results for the year and three months ended September 30, 2011 were therefore retrospectively revised. In Q4 2012, our acquisition of Logica plc (“Logica”) became effective six weeks before our fiscal year-end. As at September 30, 2012, the operations of Logica were managed and reviewed as one component and is therefore being presented as its own operating segment. As a result of changes in the management reporting structure effective October 1, 2012, the Company will change its operating segments beginning in the first quarter of 2013 as follows: Canada; United States of America; Nordics, Southern Europe and South America; Central and Eastern Europe (including Netherlands, Germany and Belgium); United Kingdom; Asia Pacific (including Australia, India, Philippines and the Middle East); and France (including Luxembourg and Morocco). For more details on how our operations are managed, please refer to Note 27 of the audited consolidated financial statements.

MD&A Objectives and Contents

- Provide a narrative explanation of the audited consolidated financial statements through the eyes of management;
- Provide the context within which the audited consolidated financial statements should be analyzed, by giving enhanced disclosure about the dynamics and trends of the Company's business; and
- Provide information to assist the reader in ascertaining the likelihood that past performance is indicative of future performance.

In order to achieve these objectives, this MD&A is presented in the following main sections:

<u>Section</u>	<u>Contents</u>	<u>Pages</u>
1. Corporate Overview	This includes a description of our business and how we generate revenue as well as the markets in which we operate.	
	1.1. About CGI	6
	1.2. Vision and Strategy	7
	1.3. Competitive Environment	7
2. Highlights and Key Performance Measures	A summary of key achievements during the quarter, the past three years' key performance measures, and CGI's share performance.	
	2.1. Fiscal 2012 Highlights	8
	2.2. Key Performance Measures Defined	9
	2.3. Selected Yearly Information & Key Performance Measures	10
	2.4. Stock Performance	11
3. Financial Review	A discussion of year-over-year changes to operating results for the years ended September 30, 2012 and 2011, describing the factors affecting revenue and earnings on a consolidated and reportable segment basis, and also by describing the factors affecting changes in the major expense categories. Also discussed are bookings broken down by geography, vertical market, contract and service type.	
	3.1. Bookings and Book-to-Bill Ratio	12
	3.2. Foreign Exchange	13
	3.3. Revenue Distribution	14
	3.4. Revenue Variation and Revenue by Segment	15
	3.5. Operating Expenses	17
	3.6. Adjusted EBIT by Segment	18
	3.7. Earnings before Income Taxes	20
	3.8. Net Earnings and Earnings Per Share ("EPS")	21

<u>Section</u>	<u>Contents</u>	<u>Pages</u>
4. Liquidity	This includes a discussion of changes in cash flows from operating, investing and financing activities. This section also describes the Company's available capital resources, financial instruments, and off-balance sheet financing and guarantees. Measures of liquidity (days sales outstanding) and capital structure (return on equity, net debt to capitalization, and return on invested capital) are analyzed on a year-over- year basis.	
	4.1. Consolidated Statements of Cash Flows	23
	4.2. Capital Resources	24
	4.3. Contractual Obligations	25
	4.4. Financial Instruments and Hedging Transactions	25
	4.5. Selected Measures of Liquidity and Capital Resources	27
	4.6. Off-Balance Sheet Financing and Guarantees	27
	4.7. Capability to Deliver Results	28
5. Fourth Quarter Results	A discussion of year-over-year changes to operating results for the three months ended September 30, 2012 and 2011, describing the factors affecting revenue and earnings on a consolidated and reportable segment basis.	
	5.1 Revenue Variation and Revenue by Segment	29
	5.2 Adjusted EBIT by Segment	32
	5.3 Net Earnings and Earnings per Share	33
6. Eight Quarter Summary	A summary of the past eight quarters' key performance measures and a discussion of the factors that could impact our quarterly results.	35
7. Changes in Accounting Policies	A summary of current accounting standards in effect and future accounting standards to be adopted.	
	7.1 Adoption of IFRS	36
	7.2 Future Accounting Standard Changes	36
8. Critical Accounting Estimates	A discussion of the estimates and judgements made in the preparation of the consolidated financial statements.	37
9. Integrity of Disclosure	A discussion of the existence of appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.	40
10. Risk Environment	A discussion of the risks affecting our business activities and what may be the impact if these risks are realized.	
	10.1 Risks and Uncertainties	41
	10.2 Legal Proceedings	48

1. Corporate Overview

1.1. ABOUT CGI

Founded in 1976 and headquartered in Montreal, Canada, CGI is one of the largest independent providers of end-to-end information technology services (“IT services”) and business process services (“BPS”) to clients worldwide. CGI has approximately 72,000 members across the globe. The Company’s proximity model provides for work to be delivered onsite at clients’ premises, on-shore, near-shore or through one of its global offshore delivery centres. We also have a number of leading business solutions that support long-term client relationships. Our services are broken down as:

- Consulting – CGI provides a full range of IT and management consulting services, including business transformation, IT strategic planning, business process engineering and systems architecture.
- Systems integration – CGI integrates and customizes leading technologies and software applications to create IT systems that respond to clients’ strategic needs.
- Management of IT and business functions (“outsourcing”) – Clients delegate entire or partial responsibility for their IT or business functions to CGI to achieve significant savings and access the best suited technology, while retaining control over strategic IT and business functions. As part of such agreements, we implement our quality processes and practices to improve the efficiency of the clients’ operations. We also integrate clients’ operations into our technology network. Finally, we may take on specialized professionals from our clients, enabling our clients to focus on key operations. Services provided as part of an outsourcing contract may include development and integration of new projects and applications; applications maintenance and support; technology infrastructure management (enterprise and end-user computing and network services); transaction and business processing such as payroll, insurance processing, and document management services. Outsourcing contracts typically have terms from five to ten years.

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

CGI has a wide range of proprietary business solutions which help shape opportunities and drive value for our clients and shareholders. Examples of these include Enterprise Resource Planning solutions, energy management, credit and debt collections, tax management, claims auditing and fraud detection.

We take great pride in delivering high quality services to our clients. To do so consistently, we have implemented and continue to maintain the International Organization for Standardization (“ISO”) quality program. By designing and implementing rigorous service delivery and quality standards, followed by monitoring and measurement, we are better able to satisfy our clients’ needs. As a measure of the scope of our ISO 9001 program, all of the legacy CGI’s business units continue to be certified and we will initiate the work on improving Logica’s processes and applying for the same certification.

1.2. VISION AND STRATEGY

At CGI, we derive our business vision from our dream which is to create an environment in which members enjoy working together and, as owners, contribute to building a company we can be proud of. That dream led to CGI's vision of being a world-class IT and BPS leader, helping its clients win and grow. Our build and buy strategy is refined through a four-pillar growth strategy that combines organic growth and acquisitions.

The first two pillars of our strategy focus on organic growth. The first pillar focuses on smaller contract wins, renewals and extensions. The second involves the pursuit of new large, long-term outsourcing contracts, leveraging our end-to-end services, global delivery model and critical mass.

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

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

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

1.3. COMPETITIVE ENVIRONMENT

As a global provider of end-to-end information technology and business process services, CGI operates in a highly competitive and rapidly evolving global industry. Our competition comprises a variety of global players, from niche companies providing specialized services to other end-to-end service providers, mainly in the U.S., Europe and India, all of whom are competing to deliver some or all of the services we provide.

Recent mergers and acquisition activity has resulted in CGI being positioned as one of the few remaining IT services firms that operates independently of any hardware or software vendor. This independence allows CGI to deliver the best-suited technology available globally to our clients.

CGI offers its end-to-end services to a select set of targeted vertical markets in which we have deep business and technical expertise covering 90% of global IT spend. To compete effectively, CGI focuses on high-end systems integration, consulting and outsourcing where vertical market industry knowledge and expertise are required.

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

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

In summary, CGI's competitive value proposition encompasses the following: end-to-end IT and BPS capability; expertise and proprietary business solutions in five vertical markets covering the majority of global IT spending; a unique global delivery model, which includes industry leading delivery capabilities; a disciplined management foundation; and our focus on client satisfaction which is supported by our client proximity business model. Based on this value proposition and CGI's growing critical mass in our target markets which collectively cover approximately 84% of global IT spending – we are in a position to compete effectively on an international scale and win large contracts.

2. Highlights and Key Performance Measures

2.1. FISCAL 2012 HIGHLIGHTS

- Revenue of \$4.8 billion, increase of 12.1% year-over-year on a constant currency basis;
- Bookings of \$5.2 billion resulting in a book-to-bill ratio of 109%;
- Backlog of \$17.6 billion;
- Strong underlying profitability delivered across legacy CGI operations;
- Accelerating profitable growth and bookings in U.S. operations; and
- Cash from operations of \$613.3 million, or \$2.24 per share.

2.1.1. Acquisition of Logica plc

On August 20, 2012, CGI completed its acquisition of Logica for \$1.63 (105 pence) per ordinary share equivalent to a total purchase price of \$2.7 billion plus the assumption of Logica's net debt of \$0.9 billion. The cash acquisition of all the outstanding ordinary shares of Logica was effected by means of a Court-sanctioned scheme of arrangement in the United Kingdom. Our results for the year incorporate the operations of Logica subsequent to August 20, 2012.

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

The acquisition was funded through a combination of:

- The issuance of 46.7 million Class A shares in CGI for a consideration of \$1.0 billion from the Caisse de dépôt et placement du Québec ("CDPQ");
- Additional debt funding through a term loan of \$1.9 billion from a syndicate of international financial institutions; and
- The remaining financing requirements of \$0.8 billion were drawn from CGI's existing credit facility and cash.

Based on the impact of the issuance of the new debt and equity and the realization of some of the planned synergies, the transaction is expected to be accretive in the range of 25% to 30% in the first 12 months to CGI's earnings per share excluding acquisition-related and integration costs. As the Company continues to realize an approximate amount of \$300 million of annual business synergies over the next three years at an approximate cost of \$400 million, we expect the accretion level of EPS to increase.

The combined company has approximately 72,000 members in more than 40 countries and pro-forma revenue of \$10.4 billion, offering clients across the world the best mix of business and technology expertise as well as an unmatched combination of local and global delivery options. In addition to operational breadth and depth, the combined business has critical mass and blue chip client relationships. CGI incurred \$0.3 billion in acquisition-related and integration costs over the last half of fiscal 2012.

2.1.2. Credit Facility and Debt Private Placement

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

2.2. KEY PERFORMANCE MEASURES DEFINED

We use a combination of financial measures, ratios, and non-GAAP measures to assess our Company's performance. The table below summarizes our most relevant key performance measures. The calculated results and the discussion of each indicator follow in the subsequent sections.

Profitability	- Adjusted EBIT – is a measure of earnings before items not directly related to the cost of operations, such as financing costs, acquisition-related and integration costs and income taxes (see definition on page 3). Management believes this best reflects the profitability of our operations. - Diluted earnings per share – is a measure of earnings generated for shareholders on a per share basis, assuming all dilutive elements are exercised.
Liquidity	- Cash provided by operating activities – is a measure of cash generated from managing our day-to-day business operations. We believe strong operating cash flow is indicative of financial flexibility, allowing us to execute our corporate strategy. - Days sales outstanding – is the average number of days to convert our trade receivables and work in progress into cash. Management tracks this metric closely to ensure timely collection, healthy liquidity, and is committed to a DSO target of 45 days.
Growth	- Constant currency growth – is a measure of revenue growth before foreign currency impacts. This growth is calculated by translating current period results in local currency using the conversion rates in the equivalent period from the prior year. We believe that it is helpful to adjust revenue to exclude the impact of currency fluctuations to facilitate period-to-period comparisons of business performance. - Backlog – represents management's best estimate of revenue to be realized in the future based on the terms of respective client agreements in effect at a point in time. - Book-to-Bill ratio – is a measure of the proportion of the value of our contract wins to our revenue in the period. This metric allows management to monitor the Company's business development efforts to ensure we grow our backlog and our business over time. Management remains committed to maintaining a target ratio greater than 100% over a 12-month period. Management believes that the longer period is a more effective measure as the size and timing of bookings could cause this measurement to fluctuate significantly if taken for only a three-month period.
Capital Structure	- Net Debt to Capitalization ratio – is a measure of our level of financial leverage net of our cash and cash equivalents, short-term investments and marketable long-term investments. Management uses this metric to monitor the proportion of debt versus capital used to finance our operations and it provides insight into our financial strength. - 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.

2.3. SELECTED YEARLY INFORMATION & KEY PERFORMANCE MEASURES

As at and for the years ended September 30, (in thousands of dollars unless otherwise noted)	2012 IFRS	2011 IFRS	Change 2012 / 2011	2010 CDN GAAP
Growth				
Backlog (in millions of dollars) ¹	17,647	13,398	4,249	13,320
Bookings (in millions of dollars)	5,180	4,875	305	4,643
Book-to-bill ratio	109%	115%	(6%)	124%
Revenue	4,772,454	4,223,942	548,512	3,732,117
Year-over-year growth ²	13.0%	15.8%	(2.8%)	(2.4%)
Constant currency growth ²	12.1%	18.9%	(6.8%)	3.4%
Profitability				
Adjusted EBIT ³	546,729	536,347	10,382	511,902
Adjusted EBIT margin	11.5 %	12.7 %	(1.2 %)	13.7 %
Net earnings	131,529	438,139	(306,610)	362,766
Net earnings margin	2.8 %	10.4 %	(7.6 %)	9.7 %
Basic EPS (in dollars)	0.50	1.65	(1.15)	1.27
Diluted EPS (in dollars)	0.48	1.59	(1.11)	1.24
Liquidity				
Cash provided by operating activities	613,262	570,002	43,260	552,367
As a percentage of revenue	12.9 %	13.5 %	(0.6 %)	14.8 %
Days sales outstanding ⁴	70	53	17	47
Capital structure				
Net debt to capitalization ratio ⁵	46.6%	27.4%	19.2%	30.6%
Net debt	3,105,313	918,968	2,186,345	1,010,816
Return on equity ⁶	5.0%	19.6%	(14.6%)	16.4%
Return on invested capital ⁷	11.4%	13.7%	(2.3%)	16.3%
Balance sheet				
Cash and cash equivalents, bank overdraft and short-term investments	127,562	70,839	56,723	141,020
Total assets	10,453,442	4,657,354	5,796,088	4,607,191
Long-term financial liabilities ⁸	4,124,342	238,151	3,886,191	1,159,198

¹ Backlog includes new contract wins, extensions and renewals (“bookings”), partially offset by the backlog consumed during the quarter as a result of client work performed and adjustments related to the volume, cancellation and/or the impact of foreign currencies to our existing contracts. Backlog incorporates estimates from management that are subject to change. Fiscal 2012 backlog includes the backlog from Logica. The bookings and book-to-bill ratio include the results of Logica for the period from August 20, 2012.

² Constant currency growth is adjusted to remove the impact of foreign currency exchange rate fluctuations. Please refer to page 15 for details. The reader should note that both the year-over-year and constant currency growth rates for fiscal 2011 have not been restated as fiscal 2010 numbers under IFRS are not available.

³ Adjusted EBIT is a non-GAAP measure for which we provide the reconciliation to its closest IFRS measure on page 20.

⁴ Days sales outstanding are obtained by subtracting deferred revenue from trade accounts receivable and work in progress; the result is divided by the quarter’s revenue over 90 days.

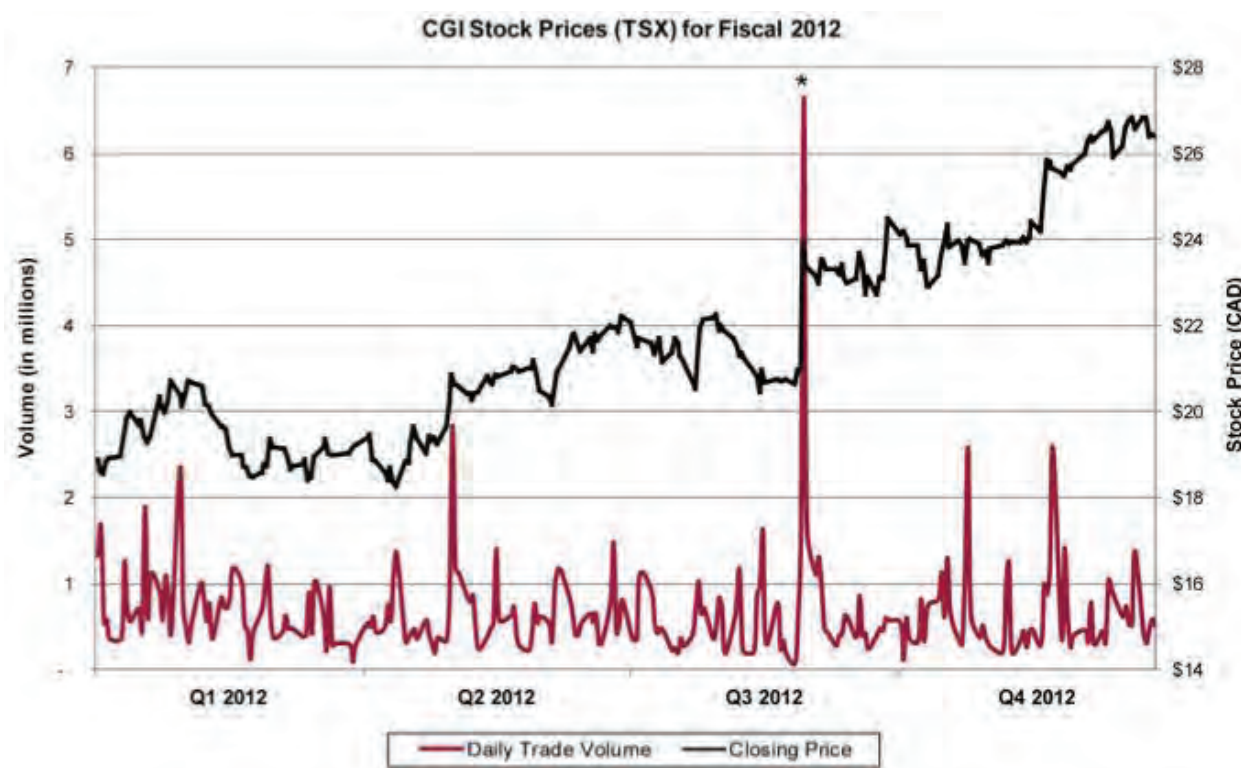
⁵ The net debt to capitalization ratio represents the proportion of debt net of cash and cash equivalents, short-term and marketable long-term investments (“net debt”) over the sum of shareholders’ equity and debt. Net debt and capitalization are both net of the fair value of forward contracts.

⁶ The return on equity ratio is calculated as the proportion of earnings for the last 12 months over the last four quarters’ average equity.

⁷ The return on invested capital ratio represents the proportion of the after-tax adjusted EBIT for the last 12 months, over the last four quarters’ average invested capital, which is defined as the sum of equity and debt, less cash and cash equivalents, short-term and marketable long-term investments, net of the impact of the fair value of forward contracts.

⁸ Long-term financial liabilities include the long-term portion of debt, long-term provisions, retirement benefits obligations and other long-term liabilities.

2.4. STOCK PERFORMANCE



* May 31, 2012 – Logica acquisition announcement date; 6.7 million shares were traded on the TSX.

2.4.1. Fiscal 2012 Trading Summary

CGI's shares are listed on the Toronto Stock Exchange ("TSX") (stock quote – GIB.A) and the New York Stock Exchange ("NYSE") (stock quote – GIB) and are included in the S&P/TSX Composite Index, the S&P/TSX Capped Information Technology and Midcap Indices, and the Dow Jones Sustainability Index.

TSX	(CDN\$)	NYSE	(US\$)
Open:	19.50	Open:	18.56
High:	27.00	High:	27.71
Low:	17.88	Low:	17.01
Close:	26.40	Close:	26.86
CDN average daily trading volumes:	1,013,111	U.S. average daily trading volumes:	186,414

Includes the average daily volumes of both the TSX and alternative trading systems.

2.4.2. Share Repurchase Program

On February 1, 2012, the Company's Board of Directors authorized and subsequently received the approval from the TSX for the renewal of the Normal Course Issuer Bid ("NCIB") to purchase up to 10% of the public float of the Company's Class A subordinate shares over the next 12 months. The NCIB enables CGI to purchase, on the open market, up to 22,064,163 Class A subordinate shares for cancellation. The Class A subordinate shares may be purchased under the NCIB commencing February 9, 2012 and ending on the earlier of February 8, 2013, or the date on which the Company has either acquired the maximum number of Class A subordinate shares allowable under the NCIB, or elects to terminate the NCIB.

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

2.4.3. Capital Stock and Options Outstanding (as at November 23, 2012)

273,976,033 Class A subordinate shares

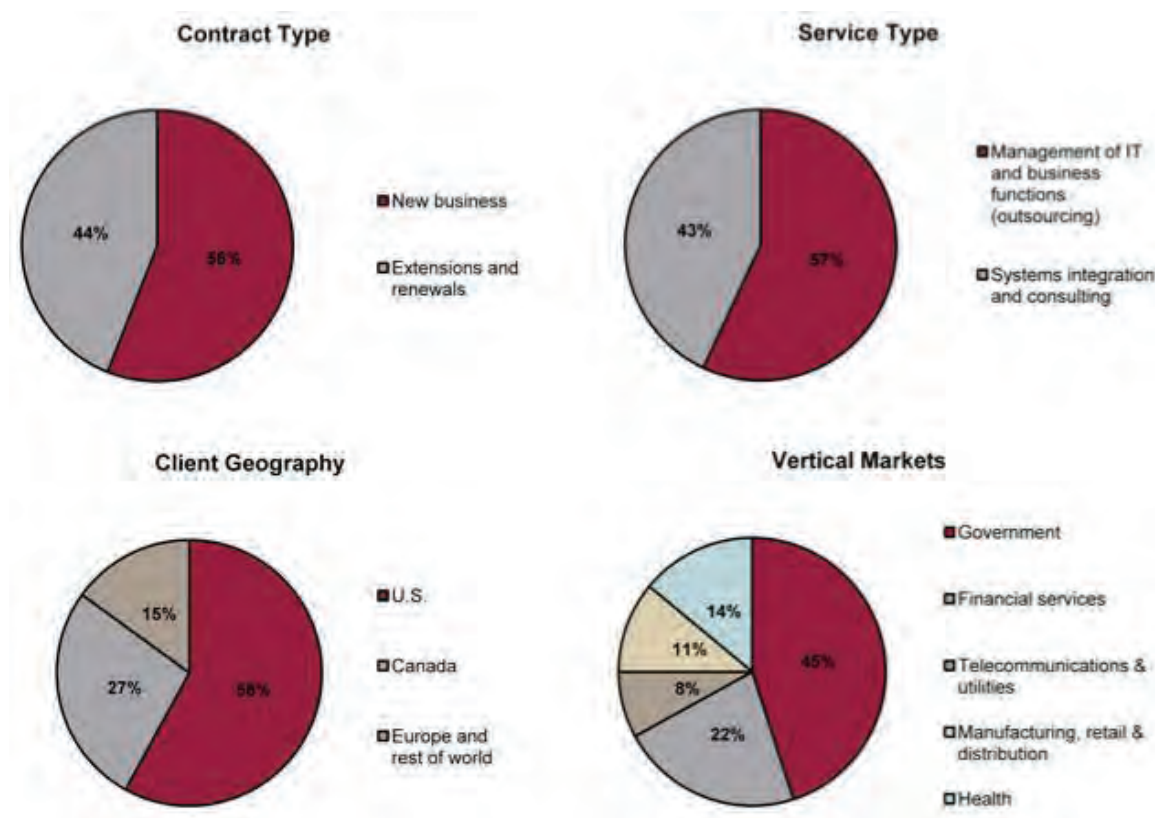
33,608,159 Class B shares

18,578,393 options to purchase Class A subordinate shares

3. Financial Review

3.1. BOOKINGS AND BOOK-TO-BILL RATIO

The Company achieved a book-to-bill ratio of 109% for the year, while bookings for the fiscal year were \$5.2 billion. The breakdown of the \$5.2 billion in bookings signed during the year is as follows:



Information regarding our bookings is a key indicator of the volume of our business over time. However, due to the timing and transition period associated with outsourcing contracts, the realization of revenue related to these bookings may fluctuate from period to period. The values initially booked may change over time due to their variable attributes, including demand-driven usage, modifications in the scope of work to be performed caused by changes in client requirements as

well as termination clauses at the option of the client. As such, information regarding our bookings is not comparable to, nor should it be substituted for an analysis of our revenue; it is instead a key indicator of our future revenue used by the Company's management to measure growth.

3.2. FOREIGN EXCHANGE

The Company operates globally and is exposed to changes in foreign currency rates. We report all dollar amounts in Canadian dollars. Accordingly, we value assets, liabilities and transactions that are measured in foreign currencies using various exchange rates as prescribed by IFRS.

Closing foreign exchange rates

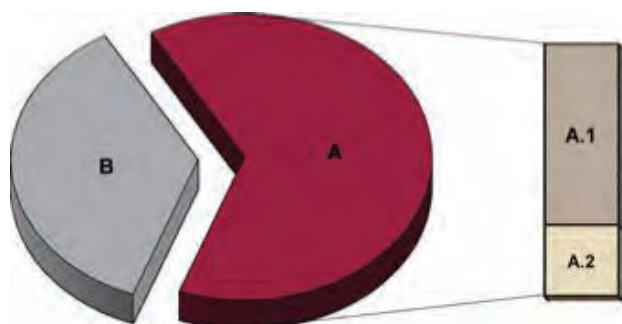
<u>As at September 30,</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>
U.S. dollar	0.9837	1.0389	(5.3%)
Euro	1.2646	1.3971	(9.5%)
Indian rupee	0.0186	0.0212	(12.3%)
British pound	1.5869	1.6231	(2.2%)

Average foreign exchange rates

<u>For the years ended September 30,</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>
U.S. dollar	1.0074	0.9866	2.1%
Euro	1.3077	1.3759	(5.0%)
Indian rupee	0.0192	0.0219	(12.3%)
British pound	1.5878	1.5845	0.2%

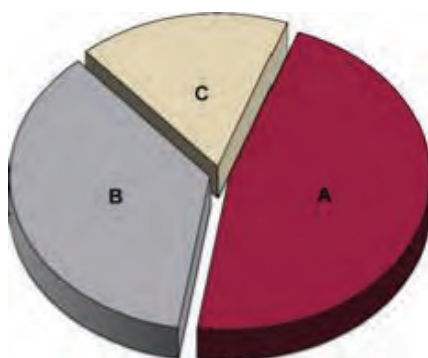
3.3. REVENUE DISTRIBUTION

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



Service Type

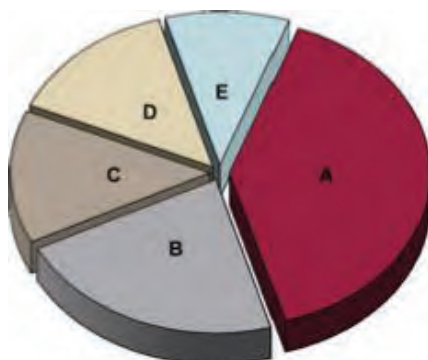
- A. Management of IT and business functions (outsourcing) – 64%
 - 1. IT services – 46%
 - 2. Business process services – 18%
- B. Systems integration and consulting – 36%



Client Geography

Based on client's domicile

- A. U.S. – 47%
- B. Canada – 36%
- C. Europe and rest of the world – 17%



Vertical Markets

- A. Government – 40%
- B. Financial services – 22%
- C. Telecommunications and utilities – 14%
- D. Manufacturing, retail and distribution – 14%
- E. Health – 10%

3.3.1. Client Concentration

IFRS guidance on Segment Disclosures defines a single customer as a group of entities that are known to the reporting enterprise to be under common control. The Company considers the federal government, the provincial or territorial government, the local government, or a foreign government each to be a single customer. Our work for the U.S. federal government including its various agencies represented 28.0% of our revenue for fiscal 2012 as compared to 29.2% in fiscal 2011.

3.4. REVENUE VARIATION AND REVENUE BY SEGMENT

Our operations are managed in four operating segments based on our delivery model incorporating domestic activities as well as services from utilizing our unique global delivery model. The GIS segment incorporates all services we provide to our clients globally for the management of their technology infrastructure. The other segments are based on our geographic delivery model: United States (“U.S.”), Europe & Asia Pacific (“Europe”), and Canada which include their respective utilization of our delivery centres in India. For the year ended September 30, 2012, we added another segment – Logica, which incorporates the results of the acquired company as of August 20, 2012.

The following table provides a summary of our revenue variation, in total and by segment, separately showing the impacts of foreign currency exchange rate variations between the fiscal 2012 and 2011 periods. The fiscal 2011 revenue by segment was recorded reflecting the actual foreign exchange rates for that period. The foreign exchange impact is the difference between the current period’s actual results and the current period’s results converted with the prior year’s foreign exchange rates.

For the years ended September 30, <i>(in thousands of dollars except for percentage)</i>			
	2012	2011	Change
Total CGI revenue	4,772,454	4,223,942	13.0%
Variation prior to foreign currency impact	12.1%		
Foreign currency impact	0.9%		
Variation over previous period	13.0%		
U.S.			
Revenue prior to foreign currency impact	2,044,878	1,896,002	7.9%
Foreign currency impact	46,234		
U.S. revenue	2,091,112	1,896,002	10.3%
Canada			
Revenue prior to foreign currency impact	1,212,791	1,287,056	(5.8%)
Foreign currency impact	(176)		
Canada revenue	1,212,615	1,287,056	(5.8%)
Global Infrastructure Services			
Revenue prior to foreign currency impact	683,018	816,663	(16.4%)
Foreign currency impact	1,852		
Global Infrastructure Services revenue	684,870	816,663	(16.1%)
Europe			
Revenue prior to foreign currency impact	224,080	224,221	(0.1%)
Foreign currency impact	(8,098)		
Europe revenue	215,982	224,221	(3.7%)
Logica			
Revenue prior to foreign currency impact	567,875	—	N/A
Foreign currency impact	N/A		
Logica revenue	567,875	—	N/A

We ended fiscal 2012 with revenue of \$4,772.5 million, an increase of \$548.5 million or 13.0% over fiscal 2011. On a constant currency basis, revenue increased by 12.1%, while foreign currency rate fluctuations favourably impacted our revenue by \$39.8 million or 0.9%. On a constant currency basis, our MRD vertical grew the most at 32.3%, followed by our healthcare vertical at 24.2% and telecommunications & utilities at 21.5%.

Our U.S. segment posted the strongest growth year-over-year, representing 7.9% on a constant currency basis, coming primarily from the health and government vertical markets. This strong U.S. performance was partly offset by the expiry of an outsourcing contract in the financial services vertical within GIS, the non-renewal of a low margin contract in the government vertical market within the Canadian segment, and the sale of Conseillers en informatique d'affaires CIA Inc. ("CIA"), also within Canada. Excluding these items, our revenue would have grown by 18.2% or 17.2% on a constant currency basis.

Fiscal 2012 was notably marked by the acquisition of Logica completed on August 20, 2012. Separated into a standalone segment for reporting purposes, Logica's results subsequent to the acquisition date represented \$567.9 million, representing 13.4% to the total Company growth.

3.4.1. U.S.

Revenue in our U.S. segment was \$2,091.1 million in fiscal 2012, an increase of \$195.1 million or 10.3% from \$1,896.0 million in fiscal 2011. When removing the favourable foreign exchange impact of \$46.2 million, revenue grew \$148.9 million or 7.9% year-over-year. The increase in revenue was primarily due to additional work from new contracts as well as due to the extended scope of existing engagements in the government and health vertical markets.

3.4.2. Canada

Revenue in our Canada segment for fiscal 2012 was \$1,212.6 million, a decrease of \$74.4 million or 5.8% compared to fiscal 2011. The decrease was mainly due to the run off of client projects as they were delivered, primarily in the health and government vertical markets. We also encountered delays in contract awards and the ramping up of new projects. In addition, the actions taken effective the third quarter of last year with the expiration of a government contract not meeting our profitability standards and the disposal of our interest in Conseillers en informatique d'affaires CIA Inc. ("CIA"), as previously disclosed, also contributed to the year-over-year revenue decline. These last two items alone had a year-over-year impact of \$44.4 million. Excluding these two items, the revenue would have decreased by 2.4% on a constant currency basis.

3.4.3. Global Infrastructure Services

Revenue in our Global Infrastructure Services segment was \$684.9 million, a decrease of \$131.8 million or 16.1% compared to fiscal 2011. Foreign currency fluctuations had an insignificant impact for the year. As disclosed earlier in fiscal 2012, the expiry of a large outsourcing contract in the financial services vertical market, representing \$140.9 million of the year-over-year variation, was the primary cause of the decrease. When excluding this impact, revenue would have increased by 1.1% on a constant currency basis.

3.4.4. Europe

Revenue in the Europe segment was \$216.0 million for fiscal 2012. On a constant currency basis, revenue remained stable. Taking into account the effect of foreign currency, revenue decreased \$8.2 million or 3.7% from the \$224.2 million reported in prior year. Lower consulting and project work in the telecommunications and utilities vertical, primarily resulting from cautious investing behaviours in the European market, was offset by the ramp-up of work volumes with new and existing clients across all other vertical markets.

3.4.5. Logica

The acquisition of Logica occurred during the peak vacation period in Europe where a significant number of the members as well as their clients were on leave. As a significant portion of Logica's revenue is recognized on a time and material basis, the resulting revenue for this period was not reflective of business-as-usual.

Revenue generated by Logica operations for the six-week period subsequent to the acquisition date represented \$567.9 million or 11.9% of total Company revenue for the year. During this period, Logica's revenue consisted of 14.1% from financial services, 29.4% from government, 2.8% from healthcare, 29.9% from MRD, and 23.8% from telecommunications & utilities.

3.5. OPERATING EXPENSES

<i>(in thousands of dollars except for percentage)</i>	2012	% of Revenue	2011	% of Revenue	Change	
					\$	%
Costs of services, selling and administrative	4,226,859	88.6%	3,690,960	87.4%	535,899	14.5%
Foreign exchange gain	(1,134)	(0.0%)	(3,365)	(0.1%)	2,231	(66.3%)

3.5.1. Costs of Services, Selling and Administrative

When compared to fiscal 2011, costs of services, selling and administrative expenses increased by \$535.9 million. The translation of the results of our foreign operations from their local currencies to the Canadian dollar unfavourably impacted costs by \$35.6 million, partially offsetting the favourable translation impact of \$39.8 million on revenue. The increase in cost of services is caused by the inclusion of Logica's results for the six-week period. Without considering the Logica results, cost of services as a percentage of revenue would have decreased year-over-year from 87.4% to 86.5%. This improvement mainly stemmed from the benefits of the Performance Improvement Plan kicked off in the fourth quarter of 2011.

As a percentage of revenue, costs of services, selling and administrative increased from 87.4% in 2011 to 88.6% in 2012. The increase in costs as a percentage of revenue was due to the inclusion of Logica's results for the six-week period. Our integration plan will implement CGI's business model into Logica which will help increase Logica's margins in the future periods.

3.5.2. Foreign Exchange Loss (Gain)

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

3.6. ADJUSTED EBIT BY SEGMENT

For the years ended September 30, (in thousands of dollars except for percentage)			
	2012	2011	Change
U.S.	242,965	167,734	44.9%
<i>As a percentage of U.S. revenue</i>	<i>11.6 %</i>	8.8 %	
Canada	257,011	249,103	3.2%
<i>As a percentage of Canada revenue</i>	<i>21.2 %</i>	19.4 %	
Global Infrastructure Services	53,265	110,880	(52.0%)
<i>As a percentage of GIS revenue</i>	<i>7.8 %</i>	13.6 %	
Europe	12,333	8,630	42.9%
<i>As a percentage of Europe revenue</i>	<i>5.7 %</i>	3.8 %	
Logica	(18,845)	—	N/A
<i>As a percentage of Logica revenue</i>	<i>(3.3%)</i>	N/A	
Adjusted EBIT	546,729	536,347	1.9%
<i>Adjusted EBIT margin</i>	<i>11.5 %</i>	12.7 %	

Adjusted EBIT for the year was \$546.7 million, an increase of \$10.4 million or 1.9% from the previous year. The margin decreased from 12.7% to 11.5%. Excluding the impact of the acquisition of Logica, the legacy operations of CGI would have generated an adjusted EBIT of \$565.6 million, an increase of \$29.2 million or 5.4% over the \$536.3 million from fiscal 2011. The legacy CGI operations would have had a margin of 13.5% which improved over the previous year's adjusted EBIT margin of 12.7%.

3.6.1. U.S.

Adjusted EBIT in the U.S. segment was \$243.0 million for the year ended September 30, 2012, an increase of \$75.2 million or 44.9% year-over-year, while the margin also increased from 8.8% to 11.6%. These improved results came primarily from the revenue growth in the government and health vertical markets as outlined above, and to a lower extent, the benefit related to the expiry of a low margin contract acquired through the Stanley, Inc. ("Stanley") acquisition in Q4 2010. In addition, the benefits of our Performance Improvement Plan initiated in the fourth quarter of fiscal 2011 generated healthier margins over the past year. During fiscal 2011, approximately \$16.9 million was incurred primarily for severance costs, impairments, leasehold improvements write-off and excess real estate whereas in fiscal 2012, \$5.8 million was incurred for severances and cost alignment activities.

3.6.2. Canada

Adjusted EBIT in the Canada segment was \$257.0 million for the fiscal year ended September 30, 2012, an increase of \$7.9 million year-over-year, while the margin improved from 19.4% to 21.2%. The improved margin benefited from the cost reductions from our Performance Improvement Plan initiated in the fourth quarter of 2011 as well as the positive margin impacts related to the aforementioned expiration of a government contract and the disposal of our interest in CIA. Offsetting these improvements was the lower than average utilization level of our members in Canada as an above average number of members were on the bench between assignments. This was due to the delays noted above in contract awards and the ramping up of new projects. Despite these pressures, the Canadian segment has continued to generate significant margins over the recent past with 21.2% in 2012, 19.4% in 2011, and 19.3% in 2010 clearly demonstrating the success of our strategy to target IP-based revenue streams, global delivery and managed services. Initiatives to further improve our margins in this segment continue as we incurred costs related to severances and real estate optimization in the amount of \$12.2 million this year, down by \$22.4 million when compared with last year.

3.6.3. Global Infrastructure Services

Adjusted EBIT in the GIS segment was \$53.3 million for the year ended September 30, 2012, a decrease of \$57.6 million year-over-year, while the margin also decreased from 13.6% to 7.8% over the same period. As previously disclosed, the expiration of an outsourcing contract in the third quarter of 2011 was the primary cause of the decrease in profitability for this segment. The loss of this contract created excess capacity within our infrastructure segment, causing the fixed cost structure to be absorbed by a smaller base of business. Actions were taken in the last half of fiscal 2011 to address the variable cost components related to the expiry of this contract. We continue to rationalize the business structure and have introduced some productivity initiatives within this segment to better align our costs. These initiatives started to generate savings in the fourth quarter but still had a net \$1.9 million impact to the margin for the year. In addition, we incurred charges related to provisions for excess real estate, severance costs and leasehold improvements write-offs in the amount of \$9.3 million for fiscal 2011, while charges related to severances and cost alignment activities in fiscal 2012 amounted to \$9.0 million.

With our investment in cloud-based services and being awarded a place on the five-year blanket purchase agreement for infrastructure-as-a-service with the U.S. General Services Administration, GIS has been building a significant backlog of cloud related work in partnership with our U.S. segment. At this point of time, much of the awarded work is focused on the development and readiness of the client's business applications and processes to migrate the services onto the cloud. Consequently, most of the revenue to date has been recognized by the U.S. segment while the GIS segment realized the cost of maintaining an infrastructure that is running under capacity. The negative impact on margin for this past year was \$4.7 million or 0.7% of GIS revenue. As the clients' applications are ported to the new infrastructure this next year, the load will increase and the investment will contribute to the margin of the segment.

3.6.4. Europe

For the year ended September 30, 2012, our Europe segment adjusted EBIT was \$12.3 million, an increase of \$3.7 million year-over-year with the margin increasing from 3.8% to 5.7%. The increase was mainly due the Performance Improvement Plan initiated in the fourth quarter of 2011, where the related charges totalled approximately \$3.7 million compared to \$0.7 million incurred this year in relation to severances and cost alignment activities. Higher volumes of work across the financial services and government vertical markets also helped increase profitability, partly offset by less consulting project work in the telecommunications sector causing excess capacity in certain offices.

3.6.5. Logica

As noted above in the revenue section, the impact on revenue caused by the vacation period was also reflected in a reduction in the adjusted EBIT for Logica. In addition, redundancy costs and other synergies, as expected, could not be optimized quickly as we needed to work through the various work councils. The result was a lower level of revenue in the period with no accompanying reductions in the cost base. While a number of initiatives had been launched, including the initial discussions with various work councils, the shortness of the period, the vacation impact and the intangible amortization of \$10.6 million resulted in an adjusted loss before interest and taxes for the six weeks of \$18.8 million or a negative margin of 3.3%. Subsequent to the end of the year we started to make adjustments to the cost structure.

3.7. EARNINGS BEFORE INCOME TAXES

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

For the year ended September 30, (in thousands of dollars except for percentage)	2012	% of Revenue	2011	% of Revenue
Adjusted EBIT	546,729	11.5%	536,347	12.7%
Minus the following items:				
Acquisition-related and integration costs	254,973	5.3%	3,675	0.1%
Finance costs	42,099	0.9%	19,395	0.5%
Finance income	(5,318)	(0.1%)	(3,552)	(0.1%)
Other income	(3,955)	(0.1%)	(7,647)	(0.2%)
Share of profit on joint venture	(3,996)	(0.1%)	(13,359)	(0.3%)
Earnings before income taxes	262,926	5.5%	537,835	12.7%

Excluding the acquisition of Logica, the earnings before income taxes would have been \$555.2 million or 13.2% of revenue. This is comprised of the adjusted EBIT before Logica less financing costs in addition to the finance income, other income and share of profit on joint venture noted in the above table.

3.7.1. Acquisition-Related and Integration Costs

The \$255.0 million incurred in the year pertains to various professional fees and costs associated with the acquisition of Logica on August 20, 2012. Included in the fiscal 2012 amount are acquisition-related costs of \$36.4 million, integration costs of \$109.7 million, make whole costs on Logica's debt and other financing costs of \$108.9 million. The acquisition-related costs consist mainly of professional fees incurred for the acquisition and foreign exchange call options for an amount of \$7.1 million in order to comply with the funds certain requirement under the UK City Code on Takeovers and Mergers. Integration costs driven by the restructuring of Logica's operations mainly include the costs related to the termination of certain employees identified as redundant. The \$3.7 million incurred in fiscal 2011 were costs incurred at the beginning of the year to realize the integration and synergies of the Stanley acquisition concluded in August 2010.

3.7.2. Finance Costs

The year-over-year increase in finance costs was mainly related to the incremental interest expense from the debt used to finance the Logica acquisition.

3.7.3. Finance Income

Finance income includes interest and other investment income related to cash balances, investments, and tax assessments.

3.7.4. Other Income

During the year ended September 30, 2012, the Company sold its 49% interest in Innovapost Inc. to Canada Post Corporation ("CPC") for consideration of \$26.0 million. A gain of \$3.0 million was recognized in the first quarter of fiscal 2012.

3.8. NET EARNINGS AND EARNINGS PER SHARE

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

For the year ended September 30, (in thousands of dollars unless otherwise indicated)	2012	2011	Change
Earnings before income taxes	262,926	537,835	(51.1%)
Income tax expense	131,397	99,696	31.8%
Effective tax rate ¹	50.0 %	18.5 %	
Net earnings	131,529	438,139	(70.0%)
Margin	2.8 %	10.4 %	
Weighted average number of shares			
Class A subordinate shares and Class B shares (<i>basic</i>)	263,431,660	265,333,074	(0.7%)
Class A subordinate shares and Class B shares (<i>diluted</i>)	273,644,002	275,820,247	(0.8%)
Earnings per share (in dollars)			
Basic EPS	0.50	1.65	(69.7%)
Diluted EPS	0.48	1.59	(69.8%)

¹ Tax rate reflects the impact of certain acquisition-related and integration costs not being deductible for tax purposes.

3.8.1. Income Tax Expense

For fiscal 2012, income tax expense was \$131.4 million, an increase of \$31.7 million compared to \$99.7 million in the prior year, while our effective income tax rate increased from 18.5% to 50.0%. The increase in income tax expense was due mainly to favourable tax adjustments recorded in fiscal 2011 that reduced our income taxes in the amount of \$41.4 million, the impact of non-deductible transaction costs incurred and integration expenses on which no tax benefit was recognized with regards to the Logica acquisition in the amount of \$52.7 million, and unrecognized tax benefits on losses from Logica's operations in the amount of \$3.8 million.

Based on enacted rates and our current business mix, we expect our effective tax rate before integration costs and any significant adjustments to be in the range of 24% to 27% in subsequent periods.

3.8.2. Weighted Average Number of Shares

CGI's basic and diluted weighted average number of shares for fiscal 2012 decreased compared to the prior year due to the repurchase of shares on the open market as part of the NCIB, partly offset by the issuance of Class A subordinate shares upon the exercise of stock options. During the year, 5.4 million shares were repurchased and 5.4 million options were exercised, while 46.7 million Class A subordinate shares were issued for the acquisition of Logica.

3.8.3. Net Earnings and Earnings per Share Excluding Certain Items

Below is a table showing the year-over-year comparison excluding the items related to the acquisition of Logica, as well as the 2011 favourable tax adjustments:

For the year ended September 30, (in thousands of dollars unless otherwise indicated)			
	2012	2011	Change
Earnings before income taxes	262,926	537,835	(51.1%)
Add back:			
Acquisition-related and integration costs ¹	254,973	—	
Logica loss ²	18,314	—	
Interest rate impact ³	19,010	—	
Earnings before income taxes prior to adjustments	555,223	537,835	3.2%
<i>Margin</i>	<i>13.2 %</i>	<i>12.7 %</i>	
Income tax expense	131,397	99,696	31.8%
Add back:			
Income tax recovery on the Logica loss	1,098	—	
Tax adjustments	—	41,415	
Tax deduction on acquisition-related and integration costs, and interest rate impact	21,396	—	
Income tax expense prior to adjustments	153,891	141,111	9.1%
<i>Effective tax rate prior to adjustments</i>	<i>27.7 %</i>	<i>26.2 %</i>	
Net earnings prior to adjustments	401,332	396,724	1.2%
<i>Margin</i>	<i>9.5 %</i>	<i>9.4 %</i>	
Weighted average number of shares ⁴			
Class A subordinate shares and Class B shares (<i>basic</i>)	258,199,439	265,333,074	(2.7%)
Class A subordinate shares and Class B shares (<i>diluted</i>)	268,411,780	275,820,247	(2.7%)
Earnings per share (in dollars) ⁵			
Basic EPS	1.55	1.50	3.3%
Diluted EPS	1.50	1.44	4.2%

¹ Fiscal 2012 costs relate to the acquisition and integration of Logica.

² Logica's results for the six-week period ended September 30, 2012, excluding acquisition-related and integration costs.

³ The interest rate impact removes the incremental interest expense related to the debt drawn for the acquisition of Logica and the difference in the interest rate between our variable rate credit facility and the fixed interest rate on the long-term notes.

⁴ The weighted average number of shares was re-calculated without the issuance of the 46.7 million Class A shares to the CDPQ.

⁵ EPS amounts are prior to Logica results, fiscal 2011 favourable tax adjustments, interest rate impact, acquisition-related and integration costs, severances, excess real estate provisions, leasehold improvement write-offs and impairment charges.

4. Liquidity

4.1. CONSOLIDATED STATEMENTS OF CASH FLOWS

CGI's growth is financed through a combination of our cash flow from operations, borrowing under our existing credit facilities, the issuance of long-term debt, and the issuance of equity. One of our primary financial goals is to maintain an optimal level of liquidity through the active management of our assets and liabilities as well as our cash flows.

As at September 30, 2012, cash and cash equivalents were \$113.1 million. The following table provides a summary of the generation and utilization of cash for the fiscal year ended September 30, 2012 and 2011.

For the year ended September 30, (in thousands of dollars)	2012	2011	Change
Cash provided by operating activities	613,262	570,002	43,260
Cash used in investing activities	(2,849,034)	(131,014)	(2,718,020)
Cash provided by (used in) financing activities	2,285,480	(491,608)	2,777,088
Effect of foreign exchange rate changes on cash and cash equivalents	2,722	4,764	(2,042)
Net increase (decrease) in cash and cash equivalents and bank overdraft	52,430	(47,856)	100,286

4.1.1. Cash Provided by Operating Activities

Cash provided by operating activities was \$613.3 million in fiscal 2012, representing 12.9% of revenue. This is compared to \$570.0 million or 13.5% of revenue in the prior year. The timing of our working capital inflows and outflows will always have an impact on the cash flow from operations. Excluding the payments in respect to the acquisition-related and integration costs, the cash provided by operating activities would have been \$654.0 million, representing 13.7% of revenue. This increase was mainly due to the improvements in the DSO, lower tax payments, and cash coming from the other working capital items.

4.1.2. Cash Used in Investing Activities

Cash used in investing activities was \$2,849.0 million in fiscal 2012, an increase of \$2,718.0 million, compared to the \$131.0 million used in fiscal 2011. The year-over-year increase was mainly due to the acquisition of Logica which accounted for \$2,734.8 million of the increase.

Proceeds from the sale of investment in joint venture and businesses increased by \$26.5 million year-over year due to the sale of our 49% interest in Innovapost Inc.

Short-term investments, comprised of term deposits, have original maturities over three months, but not more than one year, at the date of purchase. During the year ended September 30, 2012, the Company invested a net of \$5.2 million compared to proceeds received of \$2.0 million net in the same period last year on the redemption and purchase of short-term investments.

Cash used for the purchase of property, plant and equipment ("PP&E") amounted to \$64.6 million during the year, a decrease of \$0.4 million over the \$65.0 million invested last year. During the year, our investment for the purchase of a data centre facility in the Greater Toronto Area was offset by lower investments in leasehold improvements, furniture and office equipment, and computer equipment.

Investments in intangible assets amounted to \$43.7 million, representing an increase of \$16.8 million from last year. The increase was due to the adding and updating of functionality in our business solutions. We also invested in new solutions during the year.

Investments in contract costs amounted to \$25.3 million in fiscal 2012, compared to \$27.9 million in fiscal 2011 reflecting a \$2.6 million decrease. The decrease was due to less contract costs capitalized as contracts migrated out of their transition phase. The Company purchased \$1.0 million of long-term investments in the current year, whereas \$14.2 million was invested in the prior year.

4.1.3. Cash Provided by (Used in) Financing Activities

During fiscal 2012, \$2,285.5 million was provided by the Company's financing activities, representing an increase of \$2,777.1 million when compared to the \$491.6 million consumed in fiscal 2011. The increase is due to the term loan and shares issued for the acquisition of Logica.

In fiscal 2012, we made net repayments of \$158.6 million on our credit facilities and another \$954.2 million on our outstanding long-term debt, of which \$891.4 million was related to the debt assumed from the Logica acquisition. In fiscal 2011, we made net repayments totalling \$104.3 million on our credit facilities and \$129.7 million on our long-term debt.

During the year, we also used \$102.8 million to repurchase 5.4 million CGI shares on the open market under the previous and current NCIB, while in fiscal 2011 the Company spent \$305.0 million to purchase 16.4 million CGI shares under the NCIB then in effect. The Company's cash management strategy is to maintain the flexibility to pay down debt and/or repurchase shares depending on economic conditions. In addition, we received \$1,047.2 million in proceeds from the issuance of shares to fund the acquisition and the exercise of stock options in the year, compared to \$52.1 million in the previous year.

At the beginning of fiscal 2011, \$2.6 million was used to purchase CGI shares under the Performance Share Unit ("PSU") Plan which is part of the compensation package of various executive officers. At the beginning of fiscal 2012, we sold the shares that were not paid out in the compensation packages and received \$1.2 million. We also used \$14.3 million to purchase the CGI shares for the fiscal 2012 PSU Plan.

4.1.4. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents

For 2012 and 2011, the foreign exchange effect was negligible. These amounts had no effect on net earnings as they were recorded in other comprehensive income.

4.2. CAPITAL RESOURCES

<i>(in thousands of dollars)</i>	Total commitment	Available at September 30, 2012	Outstanding at September 30, 2012
	\$	\$	\$
Cash and cash equivalents	—	113,103	—
Short-term investments	—	14,459	—
Long-term marketable investments	—	15,533	—
Unsecured committed revolving facilities ¹	1,500,000	786,089	713,911
Total	1,500,000	929,184	713,911

¹ Consists of drawn portion of \$692.0 million and Letters of Credit for \$22.0 million outstanding on September 30, 2012.

Our cash position and bank lines are sufficient to support our growth strategy. At September 30, 2012, cash and cash equivalents, short-term and long-term marketable investments were \$143.1 million.

Cash equivalents typically include money market funds and term deposits as well as bankers' acceptances and bearer deposit notes issued by major banks, all with initial maturities of 90 days or less.

Short-term investments include fixed deposits, term deposits, municipal, provincial and government bills with initial maturities ranging from 91 days to 1 year.

Long-term marketable investments include corporate and government bonds with maturities ranging from one to five years, rated AA or higher.

The amount available under our credit facilities was \$786.1 million. The long-term debt agreements contain covenants which require us to maintain certain financial ratios. At September 30, 2012, CGI was in compliance with these covenants.

Total debt increased by \$2,242.7 million to \$3,248.4 million at September 30, 2012, compared to \$1,005.7 million at September 30, 2011. The variation was mainly due to the term loan for \$1,933.9 million for the Logica acquisition, proceeds of US\$475.0 million, and the net reimbursement of \$158.6 million under the credit facility. Also, during the year, we reimbursed the last tranche of US\$20.0 million of the 2004 private debt placement financing.

Additional funding for the acquisition came from the issuance of 46.7 million Class A shares in CGI for C\$1.0 billion from the CDPQ.

The Company expects that cash generated from the combined operations will permit a significant deleveraging over the next three years and that funds generated will be adequate to meet our liquidity needs in the foreseeable future while maintaining adequate liquidity.

4.3. CONTRACTUAL OBLIGATIONS

We are committed under the terms of contractual obligations with various expiration dates, primarily for the rental of premises, computer equipment used in outsourcing contracts and long-term service agreements. For the year ended September 30, 2012, the Company increased its commitments by \$3,311.4 million year-over year due mainly to the debt used to fund the Logica acquisition. Commitments also increased due to the inclusion of Logica's commitments.

Commitment type <i>(in thousands of dollars)</i>	Total	Less than 1 year	2nd and 3rd years	4th and 5th years	After 5 years
Long-term debt	3,178,276	18,942	1,008,869	1,766,404	384,061
Capital lease obligations	85,124	33,405	42,666	8,767	286
Operating leases					
Rental of office space ¹	1,703,857	305,679	521,565	403,610	473,003
Computer equipment	114,584	60,735	47,673	6,176	—
Automobiles	113,895	69,284	41,530	3,066	15
Long-term service agreements and other	35,457	17,597	13,120	4,740	—
Total contractual obligations	5,231,193	505,642	1,675,423	2,192,763	857,365

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

4.4. FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

We use various financial instruments to manage its exposure to fluctuations of foreign currency exchange rates. We do not hold or use any derivative instruments for trading purposes. Foreign exchange translation gains or losses on the net investments and the effective portions of gains or losses on instruments hedging the net investments are recorded in the consolidated statement of comprehensive income. Any realized or unrealized gains or losses on instruments covering the U.S. denominated debt are also recognized in the consolidated statement of comprehensive income.

We have the following outstanding hedging instruments:

Hedges on net investments in foreign operations

- US\$818.0 million debt designated as the hedging instrument of our net investment in U.S. operations;
- €45.0 million debt designated as the hedging instrument of our net investment in European operations;
- \$1,153.7 million cross-currency swaps to hedge our net investment in European operations.

Cash flow hedges on future revenue

- US\$32.1 million foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the U.S. dollar and the Canadian dollar;
- US\$51.9 million foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the U.S. dollar and the Indian rupee;
- \$53.1 million foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the Canadian dollar and the Indian rupee.

Cash flow hedges on unsecured committed term loan credit facility

- \$1,234.4 million interest rate swaps floating-to-fixed.

Fair value hedges on Senior U.S. unsecured notes

- US\$125.0 million interest rate swaps fixed-to-floating.

Derivatives not designated as hedges

- £37.3 million foreign currency forward contracts to hedge the net exposure of some assets and liabilities not denominated in the functional currencies.

The effective portion of the change in the fair value of the derivative instruments is recognized in other comprehensive income and the ineffective portion, if any, in net earnings. During the year ended September 30, 2012, our hedging instruments were effective.

We expect that approximately \$2.1 million of the accumulated net unrealized losses on all derivative financial instruments designated as cash flow hedges at September 30, 2012 will be reclassified in net earnings in the next 12 months.

4.5. SELECTED MEASURES OF LIQUIDITY AND CAPITAL RESOURCES

As at September 30,	2012	2011
Net debt to capitalization ratio	46.6%	27.4%
Net debt (<i>in thousands of dollars</i>)	3,105,313	918,968
Return on equity	5.0%	19.6%
Return on invested capital	11.4%	13.7%
Days sales outstanding	70	53

We use the net debt to capitalization ratio as an indication of our financial leverage in order to pursue any large outsourcing contracts, expand global delivery centres, or make acquisitions. On August 20, 2012, we acquired Logica using a combination of debt and stock, causing our net debt to capitalization ratio to increase.

Return on equity is a measure of the return we are generating for our shareholders. ROE decreased from 19.6% at the end of fiscal 2011 to 5.0% at the end of fiscal 2012. The decrease is mainly due to the impact of the acquisition-related and integration costs. The decrease in the ratio is also attributable to the higher amount of equity which resulted from the issuance of \$1.0 billion worth of Class A shares, as well as a higher amount of favourable tax adjustments recorded in the prior year.

ROIC is a measure of the Company's efficiency in allocating the capital under our control to profitable investments. The return on invested capital was 11.4% as at September 30, 2012, a decrease compared to 13.7% a year ago. The decrease in this ratio was mainly a result of the issuance of 46.7 million of Class A shares for proceeds of \$1.0 billion and the term loan of \$1,933.9 million.

DSO increased to 70 days from 53 days last year. In calculating the DSO, we subtract the deferred revenue balance from trade accounts receivable and work in progress; for that reason, the timing of payments received from outsourcing clients in advance of the work to be performed and the timing of payments related to project milestones can affect the DSO fluctuations. The increase in the number of days is due to the inclusion of the full value of Logica's trade receivables, work in progress, and deferred revenue in the calculation while only the six weeks of revenue from the acquisition is included. Without considering the impact of Logica, DSO would have improved to 47 days at the end of September 30, 2012. We remain committed to manage our DSO within our 45-day target.

4.6. OFF-BALANCE SHEET FINANCING AND GUARANTEES

We do not engage in the practice of off-balance sheet financing, except for the use of certain operating leases for office space, computer equipment and vehicles. In accordance with IFRS, neither the lease liability nor the underlying asset is carried on the balance sheet as the terms of the leases do not meet the criteria for capitalization. From time to time, we also enter into agreements to provide financial or performance assurances to third parties on the sale of assets, business divestitures, guarantees and U.S. Government contracts.

In connection with sales of assets and business divestitures, we may be required to pay counterparties for costs and losses incurred as the result of breaches in representations and warranties, intellectual property right infringement and litigation against counterparties. While some of the agreements specify a maximum potential exposure totalling approximately \$6.5 million, others do not specify a maximum amount or limited period. It is impossible to reasonably estimate the maximum amount that may have to be paid under such guarantees. The amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. The Company does not expect to incur any potential payment in connection with these guarantees that could have a materially adverse effect on its consolidated financial statements.

We are also engaged to provide services under contracts with the U.S. Government. The contracts are subject to extensive legal and regulatory requirements and, from time to time, agencies of the U.S. Government investigate whether our operations are being conducted in accordance with these requirements. Generally, the Government has the right to change the scope of, or terminate, these projects at its convenience. The termination or a reduction in the scope of a major government project could have a material adverse effect on our results of operations and financial condition.

In the normal course of business, we may provide certain clients, principally governmental entities, with bid and performance bonds. In general, we would only be liable for the amount of the bid bonds if we refuse to perform the project once the bid is awarded. We would also be liable for the performance bonds in the event of default in the performance of our obligations. As at September 30, 2012, we had committed for a total of \$49.0 million for these bonds. To the best of our knowledge, we complied with our performance obligations under all service contracts for which there was a performance or bid bond, and the ultimate liability, if any, incurred in connection with these guarantees would not have a material adverse effect on our consolidated results of operations or financial condition.

In addition, we provided a guarantee of \$5.9 million on the residual value of leased equipment, accounted for as an operating lease, at the expiration of the lease term.

4.7. CAPABILITY TO DELIVER RESULTS

Sufficient capital resources and liquidity are required for supporting ongoing business operations and to execute our build and buy growth strategy. The Company has sufficient capital resources coming from the cash generated from operations, credit facilities, long-term debt agreements and invested capital from shareholders. Our principal uses of cash are for procuring new large outsourcing and managed services contracts; investing in our business solutions; pursuing accretive acquisitions; buying back CGI shares and paying down debt. Funds were also used to expand our global delivery network as more and more of our clients demand lower cost alternatives. In terms of financing, we are well positioned to continue executing our four-pillar growth strategy in fiscal 2013.

Strong and experienced leadership is essential to successfully implement our corporate strategy. CGI has a strong leadership team with members who are highly knowledgeable and have gained a significant amount of experience within the IT industry via various career paths and leadership roles. CGI fosters leadership development to ensure a continuous flow of knowledge and strength is maintained throughout the organization. As part of our succession planning in key positions, we established the Leadership Institute, our own corporate university, to develop leadership, technical and managerial skills inspired by CGI's roots and traditions.

As a company built on human capital, our professionals and their knowledge are critical to delivering quality service to our clients. Our human resources program provides competitive compensation and benefits, a favourable working environment, and our training and career development programs combine to allow us to attract and retain the best talent. Employee satisfaction is monitored regularly through a company-wide survey and issues are addressed immediately. Prior to the Logica acquisition, approximately 85% of our employees, whom we refer to as members, are also owners of CGI through our Share Purchase Plan. This, along with the Profit Participation Program, allows members to share in the success of the Company and aligns member objectives with our strategic goals.

In addition to our capital resources and the talent of our human capital, CGI has established a Management Foundation encompassing governance policies, sophisticated management frameworks and an organizational model for its business unit and corporate processes. This foundation, along with our appropriate internal systems, helps in providing for a consistent high standard of quality service to our clients. CGI's operations maintain appropriate certifications in accordance with service requirements such as the ISO and Capability Maturity Model Integration quality programs.

5. Fourth Quarter Results

In the fourth quarter of fiscal 2012, our priority was to successfully close the acquisition of Logica and begin executing the integration plan. In addition, the Company remained focused on its business development activities to increase our sales funnel and backlog.

Average foreign exchange rates

<u>For the three months ended September 30,</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>
U.S. dollar	0.9948	0.9802	1.5%
Euro	1.2452	1.3836	(10.0%)
Indian rupee	0.0181	0.0214	(15.4%)
British pound	1.5727	1.5773	(0.3%)
Australian dollar	1.0337	1.0279	0.6%
Swedish krona	0.1476	0.1513	(2.4%)

5.1. REVENUE VARIATION AND REVENUE BY SEGMENT

The following table provides a summary of our revenue growth, in total and by segment, separately showing the impacts of foreign currency variations between the fourth quarter of 2012 and the fourth quarter of 2011. The Q4 2011 revenue by segment is recorded reflecting the actual foreign exchange rates for that year. The foreign exchange impact is the difference between the current period's actual results and the current period's results converted with prior year's foreign exchange rates.

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

	2012	2011	Change
Total CGI Revenue	1,609,661	1,005,667	60.1%
Variation prior to foreign currency impact	59.6%		
Foreign currency impact	0.5%		
Variation over previous period	60.1%		
U.S.			
Revenue prior to foreign currency impact	537,087	476,650	12.7%
Foreign currency impact	9,508		
U.S. revenue	546,595	476,650	14.7%
Canada			
Revenue prior to foreign currency impact	279,748	300,810	(7.0%)
Foreign currency impact	(525)		
Canada revenue	279,223	300,810	(7.2%)
Global Infrastructure Services			
Revenue prior to foreign currency impact	164,492	173,245	(5.1%)
Foreign currency impact	255		
Global Infrastructure Services revenue	164,747	173,245	(4.9%)
Europe			
Revenue prior to foreign currency impact	54,932	54,962	(0.1%)
Foreign currency impact	(3,711)		
Europe revenue	51,221	54,962	(6.8%)
Logica			
Revenue prior to foreign currency impact	567,875	—	N/A
Foreign currency impact	N/A		
Logica revenue	567,875	—	N/A

Revenue for the fourth quarter of fiscal 2012 was \$1,609.7 million, an increase of \$604.0 million or 60.1% year over year. Foreign currency rate fluctuations favourably impacted revenue in the amount of \$5.5 million, resulting in a constant currency growth rate of 59.6% year-over-year. This significant increase was attributable to the acquisition of Logica concluded on August 20, 2012, contributing \$567.9 million in revenue. As well, our U.S. segment posted the strongest revenue performance, growing 12.7% on a constant currency basis.

Excluding the revenue from Logica, the legacy CGI operations recognized revenue of \$1,041.8 million, an increase of \$36.1 million or 3.6% from the fourth quarter of fiscal 2011. Overall, this growth came primarily from the government and health vertical markets.

5.1.1. U.S.

Revenue in our U.S. segment for the three months ended September 30, 2012 was \$546.6 million, an increase of \$69.9 million or 14.7%. On a constant currency basis, revenue increased by \$60.4 million or 12.7% year-over-year. The slight strengthening of the U.S. dollar caused a favourable foreign exchange impact of \$9.5 million. The increase came primarily from strong performance across the healthcare and financial services vertical markets, each posting constant currency growth of 37.9% and 18.3%, respectively, while the government vertical followed with a growth of 8.7%, as existing project work with various government agencies continued to expand.

5.1.2. Canada

Revenue in our Canada segment was \$279.2 million in the fourth quarter of 2012, a decrease of \$21.6 million or 7.2% year-over-year. This decrease was mainly a result of engagements being delivered in the healthcare, government and telecommunications and utilities vertical markets while there were some delays in contract awards and the ramping up of new projects. This decrease was partially offset by new project start-ups with our existing financial services clients.

5.1.3. Global Infrastructure Services

Revenue in our GIS segment was \$164.7 million in the fourth quarter of 2012, a decrease of \$8.5 million or 4.9% year-over-year. The revenue change was primarily the result of the expiration of a document management services contract in the financial services vertical. This was partially offset by new contracts and expanded scope on existing projects in the manufacturing, retail & distribution vertical market.

5.1.4. Europe

For the three months ended September 30, 2012, revenue in our Europe segment was flat year-over-year on a constant currency basis, while unfavourable foreign exchange variation impacted the segment by \$3.7 million. While the slowdown of project work in the telecommunications and utilities vertical market put downward pressure on our revenue in this segment, growth in the financial services and MRD verticals offset this impact.

5.1.5. Logica

The acquisition of Logica occurred during the peak vacation period in Europe where a significant number of the members as well as their clients were on leave. As a significant portion of Logica's revenue is recognized on a time and material basis, the resulting revenue for this period was not reflective of business-as-usual.

Revenue generated by Logica operations for the six-week period subsequent to the acquisition date represented \$567.9 million or 35.3% of total Company revenue for the quarter. During this period, Logica's revenue consisted of 14.1% from financial services, 29.4% from government, 2.8% from healthcare, 29.9% from MRD, and 23.8% from telecommunications & utilities.

5.2. ADJUSTED EBIT BY SEGMENT

For the three months ended September 30, (in thousands of dollars except for percentage)			
	2012	2011	Change
U.S.	67,244	31,705	112.1%
As a percentage of U.S. revenue	12.3 %	6.7 %	
Canada	52,011	42,857	21.4%
As a percentage of Canada revenue	18.6 %	14.2 %	
Global Infrastructure Services	11,197	10,973	2.0%
As a percentage of GIS revenue	6.8 %	6.3 %	
Europe	2,533	3,062	(17.3%)
As a percentage of Europe revenue	4.9 %	5.6 %	
Logica	(18,845)	—	N/A
As a percentage of Logica revenue	(3.3%)	N/A	
Adjusted EBIT	114,140	88,597	28.8%
Adjusted EBIT margin	7.1 %	8.8 %	

Adjusted EBIT for the fourth quarter of fiscal 2012 was \$114.1 million, an increase of \$25.5 million or 28.8% from the same quarter in the previous year. The margin decreased from 8.8% to 7.1%. Excluding the impact of the acquisition of Logica, the legacy operations of CGI would have generated an adjusted EBIT of \$133.0 million, an increase of \$44.4 million or 50.1% over the \$88.6 million from Q4 2011. The legacy CGI operations would have had a margin of 12.8% which improved over Q4 2011's adjusted EBIT margin of 8.8%.

5.2.1. U.S.

U.S. adjusted EBIT was \$67.2 million for the three months ended September 30, 2012, an increase of \$35.5 million or 112.1% over the prior year, while margins have almost doubled, increasing from 6.7% to 12.3%. The improvement in profitability was due to the growth from our healthcare and government vertical markets as described in the revenue section, and more license sales compared to Q4 2011. Finally, charges taken in Q4 2011 as part of our Performance Improvement Plan helped address the cost structure of our U.S. business units.

5.2.2. Canada

Canada adjusted EBIT was \$52.0 million in the fourth quarter of 2012, an increase of \$9.2 million or 21.4%. As a percentage of revenue, the margin increased from 14.2% to 18.6%. The increase was mainly due to the Performance Improvement Plan in Q4 2011. Offsetting these improvements was the lower than average utilization level of our members in Canada as an above average number of members were on the bench between assignments. This was due to the delays from contract awards and the ramping up of new projects noted above in the revenue section.

5.2.3. Global Infrastructure Services

Adjusted EBIT in GIS was \$11.2 million for the three months ended September 30, 2012, a slight increase of \$0.2 million from the same period in the prior year. As a percentage of revenue, the margin increased from 6.3% to 6.8%. The overall profitability of this segment remained stable year-over-year as both periods were impacted by the expiration of a document management services contract in the financial services vertical market, creating excess in capacity.

5.2.4. Europe

Europe adjusted EBIT was \$2.5 million for the fourth quarter of 2012, a slight decrease of \$0.5 million compared to the fourth quarter in the prior year, while as a percentage of revenue, the margin decreased from 5.6% to 4.9%. The segment adjusted EBIT grew from the revenue growth in the financial services and MRD verticals. This was offset by a non-recurring bad debt expense of \$1.4 million from an insolvent client, as well as the resulting excess in capacity as members were placed on the bench.

5.2.5. Logica

As noted above in the revenue section, the impact on revenue caused by the vacation period was also reflected in a reduction in the adjusted EBIT for Logica. In addition, redundancy costs and other synergies, as expected, could not be optimized quickly as we needed to work through the various work councils. The result was a lower level of revenue in the period with no accompanying reductions in the cost base. While a number of initiatives had been launched, including the initial discussions with various work councils, the shortness of the period, the vacation impact and the intangible amortization of \$10.6 million resulted in an adjusted loss before interest and taxes for the six weeks of \$18.8 million or a negative margin of 3.3%. Subsequent to the end of the year we started to make adjustments to the cost structure.

5.3. NET EARNINGS AND EARNINGS PER SHARE

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

For the three months ended September 30 <i>(in thousands of dollars unless otherwise indicated)</i>			
	2012	2011	Change
Adjusted EBIT	114,140	88,597	28.8%
Acquisition-related and integration costs	248,320	—	N/A
Finance costs	17,901	4,132	333.2%
Finance income	(3,710)	(626)	492.7%
Other expenses (income)	1,691	(1,602)	(205.6%)
Share of profit on joint venture	—	(4,187)	(100.0%)
(Loss) Earnings before income taxes	(150,062)	90,880	(265.1%)
Income tax expense	17,906	21,344	(16.1%)
<i>Effective tax rate</i> ¹	(11.9 %)	23.5 %	
Net (loss) earnings	(167,968)	69,536	(341.6%)
<i>Margin</i>	(10.4 %)	6.9 %	
Weighted average number of shares			
Class A subordinate shares and Class B shares <i>(basic)</i>	279,284,376	261,897,680	6.6%
Class A subordinate shares and Class B shares <i>(diluted)</i>	289,815,528	271,838,839	6.6%
Earnings per share (in dollars)			
Basic EPS	(0.60)	0.27	(322.2%)
Diluted EPS	(0.58)	0.26	(323.1%)

¹ Tax rate reflects the impact of certain acquisition-related and integration costs not being deductible for tax purposes.

The net loss was \$168.0 million for the quarter ended September 30, 2012 compared to net earnings of \$69.5 million in the same period of the prior year. The loss is due to the acquisition-related and integration costs.

The increase in weighted average number of shares is due to the issuance of 46.7 million Class A shares. During the current quarter, no shares were repurchased and 2.0 million options were exercised.

Below is a table showing the year-over-year comparison excluding the items related to the acquisition of Logica as well as the provisions on excess real estate, the related leasehold improvements write-off, the severance costs and the impairment charges:

For the three months ended September 30 <i>(in thousands of dollars unless otherwise indicated)</i>			
	2012	2011	Change
(Loss) Earnings before income taxes	(150,062)	90,880	(265.1%)
<i>Add back:</i>			
Acquisition-related and integration costs ¹	248,320	—	
Logica loss ²	18,314	—	
Interest rate impact ³	10,996	—	
Severances, excess real estate provisions, leasehold improvement write-offs and impairment charge ⁴	13,421	50,753	
Earnings before income taxes prior to adjustments	140,989	141,633	(0.5%)
<i>Margin</i>	<i>13.5 %</i>	<i>14.1 %</i>	
Income tax expense	17,906	21,344	(16.1%)
<i>Add back:</i>			
Income tax recovery on the Logica loss	1,098	—	
Tax deduction on acquisition-related and integration costs, interest rate impact, severances, excess real estate provisions, leasehold improvement write-offs and impairment charge	22,023	15,328	
Income tax expense prior to adjustments	41,027	36,672	11.9%
<i>Effective tax rate prior to adjustments ⁵</i>	<i>29.1 %</i>	<i>25.9 %</i>	
Net earnings prior to adjustments	99,962	104,961	(4.8%)
<i>Margin</i>	<i>9.6 %</i>	<i>10.4 %</i>	
Weighted average number of shares ⁶			
Class A subordinate shares and Class B shares (<i>basic</i>)	258,469,235	261,897,680	(1.3%)
Class A subordinate shares and Class B shares (<i>diluted</i>)	269,000,386	271,838,839	(1.0%)
Earnings per share (in dollars) ⁷			
Basic EPS	0.39	0.40	(2.5%)
Diluted EPS	0.37	0.39	(5.1%)

¹ Costs related to the acquisition and integration of Logica.

² Logica's results for the six-week period ended September 30, 2012, excluding acquisition-related and integration costs.

³ The interest rate impact removes the incremental interest expense related to the debt drawn for the acquisition of Logica and the difference in the interest rate between our variable rate credit facility and the fixed interest rate on the long-term notes.

⁴ In Q4 2011, \$50.8 million (\$45.4 million under Canadian GAAP) of provisions on excess real estate, related leasehold improvements write-off, severance costs, and impairment charges were added back to earnings in order to calculate a more meaningful net earnings and margin number for the operations. Similar types of charges were added back to the fourth quarter of fiscal 2012 for comparative purposes.

⁵ Effective tax rate for the quarter is higher than the previous year due to higher profitability in jurisdictions with higher statutory tax rates.

⁶ The weighted average number of shares were re-calculated without the issuance of the 46.7 million Class A shares to the CDPQ.

⁷ EPS amounts are attributable to shareholders of CGI and prior to acquisition-related and integration costs, severances, excess real estate provisions, leasehold improvement write-offs and impairment charges.

English Quarter Summary

* All data for the three quarters ended

(in thousands of dollars unless otherwise noted)

	Sept. 30, 2011	June 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010	Jun. 30, 2010	Mar. 31, 2010
Growth							
Bookings (in millions of dollars)	17,647	13,610	13,118	13,558	13,311	12,459	12,980
Bookings (in millions of dollars)	1,523	1,478	787	1,392	1,472	771	1,191
Book-to-bill ratio	1.16%	1.03%	1.03%	1.03%	1.03%	1.03%	1.03%
Revenue	1,609,661	1,064,863	1,065,791	1,032,139	1,005,667	1,012,845	1,111,715
Year-over-year growth ¹	64.1%	5.1%	(4.1%)	(5.6%)	2.4%	15.1%	22.7%
Constant currency growth ¹	59.6%	3.0%	(4.8%)	(6.1%)	5.3%	18.0%	25.9%
Profitability							
Adjusted EBIT	114,140	136,253	156,390	139,946	88,597	139,189	153,745
Adjusted EBIT margin	7.1%	12.7%	14.7%	13.5%	8.8%	13.8%	14.2%
Net earnings	(167,968)	87,228	105,726	106,543	69,536	123,203	118,743
Net earnings margin	(10.4%)	8.2%	9.9%	10.3%	6.9%	12.2%	10.7%
Basic EPS (in dollars)	(0.60)	0.34	0.41	0.41	0.27	0.47	0.45
Diluted EPS (in dollars)	(0.58)	0.33	0.40	0.40	0.26	0.45	0.43
Liquidity							
Cash provided by operating activities	109,346	250,983	104,217	148,714	186,511	93,152	192,390
As a percentage of revenue	6.8%	23.6%	9.8%	14.4%	18.6%	9.2%	17.3%
Days sales outstanding	70	49	53	51	53	52	43
Capital structure							
Net debt to capitalization ratio	44.5%	19.4%	24.0%	26.6%	27.4%	28.7%	31.1%
Net debt	3,105,313	633,354	795,339	879,523	918,968	928,979	940,567
Return on equity	1%	11%	12.5%	12.8%	13.7%	15.7%	15.2%
Return on invested capital	11.4%	11.8%	12.5%	12.8%	13.7%	15.7%	15.7%
Balance sheet							
Cash and cash equivalents, bank deposits, and short-term investments	127,562	77,418	70,213	63,908	70,839	12,578	66,428
Total assets	11,453,442	4,550,784	4,350,394	4,538,816	4,657,354	4,408,387	4,538,875
Long-term financial liabilities	4,124,342	854,933	969,761	1,066,333	238,151	1,032,092	1,101,737

¹ Excludes the acquisition of Logica on August 20, 2011

Foreign exchange fluctuations can also contribute to quarterly variances as our percentage of operations in foreign countries evolves. The effect from these variances is primarily on our revenue and to a much less extent, on our net margin as we benefit from natural hedges.

7. Changes in Accounting Policies

The audited consolidated financial statements for the years ended September 30, 2012 and 2011 include all adjustments that CGI's management considers necessary for the fair presentation of its financial position, results of operations, and cash flows.

7.1. ADOPTION OF IFRS

In February 2008, the Canadian Accounting Standards Board confirmed that the use of IFRS would be required for Canadian publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. Accordingly, the audited consolidated financial statements for the year ended September 30, 2011 have been adjusted as per the guidance provided in IFRS 1, "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1"). The reconciliations from Canadian GAAP to IFRS, a discussion of the adjustments, and other initial elections upon IFRS adoption can be found in Note 33 of the audited consolidated financial statements for the year ended September 30, 2012.

7.2. FUTURE ACCOUNTING STANDARD CHANGES

The following standards have been issued but are not yet effective:

- IFRS 9, "Financial Instruments", covers the classification and measurement of financial assets and financial liabilities.
- IFRS 10, "Consolidated Financial Statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company's consolidated financial statements.
- IFRS 12, "Disclosure of Interests in Other Entities", provides guidance on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.
- IFRS 13, "Fair Value Measurements", provides guidance on fair value measurements by providing a definition of fair value and a single source of fair value measurement and disclosure requirements.
- IAS 1, "Presentation of Financial Statements", was amended to require grouping together items within the statement of comprehensive income that may be reclassified to the statement of income.
- IAS 19, "Employee Benefits", was amended to adjust the calculation of the financing cost component of defined benefit plans and to enhance disclosure requirements.

Other than IFRS 9, the above standards are effective October 1, 2013, with earlier application permitted. IFRS 9 is effective October 1, 2015, also with earlier application permitted. The Company is currently evaluating the impact of these standards on its consolidated financial statements.

8. Critical Accounting Estimates

The Company's significant accounting policies are described in Note 3 of the audited consolidated financial statements for the year ended September 30, 2012. The preparation of the consolidated financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and equity and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Because of the use of estimates and judgements inherent in the financial reporting process, actual results could differ.

An accounting estimate is considered critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the estimate was made, if different estimates could reasonably have been used in the period, or changes in the accounting estimates that are reasonably likely to occur, could have a material impact on the presentation of our financial condition, changes in financial condition or results of operations.

Areas impacted by estimates	Consolidated balance sheets	Consolidated statements of earnings		
		Revenue	Cost of services, selling and administrative	Income taxes
Business combinations	✓		✓	
Income taxes	✓			✓
Contingencies and provisions	✓		✓	
Revenue recognition ¹	✓	✓	✓	
Share-based payments	✓		✓	
Investment tax credits and other government programs	✓		✓	
Impairment of PP&E, intangible assets and goodwill	✓		✓	
Employee benefits	✓		✓	

¹ Affects the balance sheet through accounts receivable, work in progress and deferred revenue.

Business combinations

The Company accounts for its business combinations using the acquisition method. Under this method, estimates we make to determine the fair values of asset and liabilities acquired include judgements in our determinations of acquired intangible assets and assessment of the fair value of existing PP&E. Acquired liabilities can include litigation and other contingency reserves existing at the time of the acquisition. Goodwill is recognized as of the acquisition date as the excess of the cost of the acquisition over the net identifiable assets acquired and liabilities assumed at their acquisition-date fair values.

When establishing fair values, management will make significant estimates and assumptions, especially with respect to intangible assets. Intangible assets acquired and recorded by the Company may include client relationships and contracts, software licenses, trademarks and business solutions. Estimates include but are not limited to the forecasting of future cash flows and discount rates. From time to time, the Company may engage third-party firms to assist us in determining the fair value of assets and liabilities assumed. Management's estimates of fair values are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. As a result, actual results may differ from estimates impacting our earnings.

Income taxes

Current income taxes are recognized with respect to the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets and liabilities are determined using enacted or substantively enacted tax rates that will be in effect for the year in which the differences are expected to be recovered or settled.

In the course of the Company's operations, uncertainties exist with respect to interpretation of complex tax regulations, the amount and timing of future taxable income. When a tax position is uncertain, the Company recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

The ultimate amount of future income taxes and income tax provision could be materially different from those recorded, as it is influenced by future operating results of the Company and its tax interpretations.

Contingencies and provisions

The Company accrues for costs and provisions requiring significant judgment.

Contingencies for pending or threatened litigation, guarantees and other possible liabilities involve uncertainty relating to possible gain or loss to the Company that will ultimately be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm the reduction of a liability or the occurrence of a liability. The accrued legal claim provisions are based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances.

Furthermore, there are various claims and pending actions against the Company arising in the ordinary course of its business as well as inherited from business acquisitions. Certain of these actions seek damages in significant amounts. Among other things, the Company considers the period in which the underlying cause of the claim occurred, the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the loss to determine whether a loss accrual or disclosure in the condensed consolidated financial statements is required.

The Company accrues lease provisions which consist of estimated costs associated with vacated premises. The provisions reflect the present value of lease payments in excess of the expected sublease proceeds on the remaining term of the lease. Key assumptions include the discount rate and the estimate of potential revenues from the subleasing of vacated premises.

Revenue recognition

CGI provides services and products containing pricing mechanisms such as fixed-price arrangements under percentage-of-completion which requires estimates of revenue and costs over the entire arrangement, including estimates of resources and costs necessary to complete performance.

Another assessment, related to a contract which involves the provision of multiple services and products, is to determine how the estimated contract revenue is allocated to each separately identifiable component based on their fair value. Revenue is then recognized for each separately identifiable component as services and products are delivered.

Revenue from benefits-funded arrangements is recognized only to the extent that it is probable that the benefit stream associated with the transaction will generate amounts sufficient to fund the value on which revenue recognition is based.

Management regularly reviews arrangement profitability and the underlying estimates. Estimates of total revenue at the start of the contract may differ materially from actual revenue generated due to volume variations, changes in technology and other factors which may not be foreseen at inception. Provisions for estimated contract losses are recognized in the period when it is determined that a loss is probable and is presented in other long-term liabilities. Contract losses are measured at the amount by which the estimated total costs exceed the estimated total revenue from the contract.

Share-based payments

The Company operates equity-settled stock option and PSU plans under which the Company receives services from employees and others as consideration for equity instruments. The fair value of the stock options is established on the grant date using the Black-Scholes pricing model. The variables in the model include, but are not limited to: the expected stock price volatility over the term of the awards, expected forfeitures, the expected life of the options and the risk-free interest rate. Different assumptions and changes in circumstances could create material differences in our results of operations.

Investment tax credits and other government programs

The Company receives refundable tax credits on salaries and tax credits on research and software development costs, which meet the criteria of investment tax credits and government programs. The Company is subject to annual audits to verify the amount for which it is entitled and whether it operates eligible activities under the terms of various government tax credit programs. Assessments of the proportion of eligible expenses and of the acceptability rate by these different governments are performed periodically.

Impairment of PP&E, intangible assets and goodwill

The Company tests the recoverability of PP&E, intangible assets and goodwill when events or changes in circumstances indicate that their carrying amounts may not be recoverable. The Company assesses at each reporting date whether any such events or changes in circumstances exist. The carrying amount of PP&E and intangible assets not available for use and goodwill are tested for impairment annually.

If there is any indication that impairment exists or when annual impairment for an asset is required, the Company estimates the recoverable amount of the asset or cash-generating unit ("CGU") to which the asset relates to determine the extent of any impairment loss. The CGU for which goodwill is assessed for potential impairment is the operating segment level.

The Company uses the discounted cash flow method to estimate the recoverable amount which relies on the use of estimates such as the amount and timing of cash flows that are projected over the expected remaining life of the asset and the time value of money. Any change in the estimates used could have a material impact on the calculation of fair value and the resulting impairment charge.

An impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its recoverable amount.

Additionally, an assessment is made at each reporting date for PP&E and intangible assets as to whether there is any indication that previously recorded impairment losses may no longer exist or may have decreased and therefore must be reversed. If such an indication exists, the Company estimates the asset's recoverable amount using the discounted cash flow method.

Employee benefits

The present value of the retirement benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the expense for pension include the discount rate, expected long-term rate of return on plan assets, compensation and benefits increases, inflation rates as well as mortality rates.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of the expected future benefit payments and represent the market rates for high quality corporate fixed-income investments consistent with the currency and the estimated term of the retirement benefits obligations. A lower discount rate increases the benefit obligation and generally increases the expense. Other key assumptions for pension benefits are based in part on current market conditions. Additional information is disclosed in Note 29 to the audited consolidated financial statements.

9. Integrity of Disclosure

Our management assumes the responsibility for the existence of appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. The Board of Directors' duties include the assessment of the integrity of the Company's internal control and information systems.

CGI has a formal Corporate Disclosure Policy as a part of its Fundamental Texts whose goal is to raise awareness of the Company's approach to disclosure among the Board of Directors, senior management and employees. The Board of Directors has established a Disclosure Policy Committee responsible for all regulatory disclosure requirements and overseeing the Company's disclosure practices.

The Audit and Risk Management Committee of CGI is composed entirely of independent directors who meet the independence and experience requirements of the New York Stock Exchange as well as those that apply under Canadian securities regulation. The responsibilities of our Audit and Risk Management Committee include: a) the review of all our public disclosure documents containing audited or unaudited financial information; b) identifying and examining the financial and operating risks to which we are exposed and reviewing the various policies and practices that are intended to manage those risks; c) the review and assessment of the effectiveness of our accounting policies and practices concerning financial reporting; d) the review and monitoring of our internal control procedures, programs and policies and assessment of the adequacy and effectiveness thereof; e) reviewing the adequacy of our internal audit resources including the mandate and objectives of the internal auditor; f) recommendation to the Board of Directors of CGI on the appointment of external auditors, the assertion of the external auditors' independence, the review of the terms of their engagement as well as pursuing ongoing discussions with them; g) the review of the audit procedures; h) the review of related party transactions; and i) such other responsibilities usually attributed to audit and risk committees or as directed by our Board of Directors.

The Company evaluated the effectiveness of its disclosure controls and procedures and internal controls over financial reporting, supervised by and with the participation of the Chief Executive Officer and the Chief Financial Officer as of September 30, 2012. The CEO and CFO concluded that, based on this evaluation, the Company's disclosure controls and procedures and internal controls over financial reporting were adequate and effective, at a reasonable level of assurance, to ensure that material information related to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

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

10. Risk Environment

10.1. RISKS AND UNCERTAINTIES

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

10.1.1. Risks Related to the Market

Economic risk

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

10.1.2. Risks Related to our Industry

The competition for contracts

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

The availability and retention of qualified IT professionals

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

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

The rapid pace of change in all aspects of information technology and the continually declining costs of acquiring and maintaining information technology infrastructure mean that we must anticipate changes in our clients' needs. To do so, we must adapt our services and our solutions so that we maintain and improve our competitive advantage and remain able to provide cost effective services. The market for the services and solutions we offer is extremely competitive and there can be no assurance that we will succeed in developing and adapting our business in a timely manner. If we do not keep pace, our ability to retain existing clients and gain new business may be adversely affected. This may result in pressure on our revenue, profit margin and resulting cash flows from operations.

Infringing on the intellectual property rights of others

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

Benchmarking provisions within certain contracts

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

Protecting our intellectual property rights

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

10.1.3. Risks Related to our Business

Risks associated with our growth strategy

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

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

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

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

The variability of financial results

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

Business mix variations

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

The financial and operational risks inherent in worldwide operations

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

Organizational challenges associated with our size

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

Taxes

In estimating our income tax payable, management uses accounting principles to determine income tax positions that are likely to be sustained by applicable tax authorities. However, there is no assurance that our tax benefits or tax liability will not materially differ from our estimates or expectations. The tax legislation, regulation and interpretation that apply to our operations are continually changing. In addition, future tax benefits and liabilities are dependent on factors that are inherently uncertain and subject to change, including future earnings, future tax rates, and anticipated business mix in the various jurisdictions in which we operate. Moreover, our tax returns are continually subject to review by applicable tax authorities; it is these tax authorities that will make the final determination of the actual amounts of taxes payable or receivable, of any future tax benefits or liabilities and of income tax expense that we may ultimately recognize. Any of the above factors could have a material adverse effect on our net income or cash flows by affecting our operations and profitability, the availability of tax credits, the cost of the services we provide, and the availability of deductions for operating losses as we develop our international service delivery capabilities.

Credit risk with respect to accounts receivable

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

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

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

Early termination risk

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

Cost estimation risks

In order to generate acceptable margins, our pricing for services is dependent on our ability to accurately estimate the costs and timing for completing projects or long-term outsourcing contracts. In addition, a significant portion of our project-oriented contracts are performed on a fixed-price basis. Billing for fixed-price engagements is carried out in accordance with the contract terms agreed upon with our client, and revenue is recognized based on the percentage of effort incurred to date in relation to the total estimated costs to be incurred over the duration of the respective contract. These estimates reflect our best judgment regarding the efficiencies of our methodologies and professionals as we plan to apply them to the contracts in accordance with the CGI Client Partnership Management Framework ("CPMF"), a process framework which helps ensure that all contracts are managed according to the same high standards throughout the organization. If we fail to apply the CPMF correctly or if we are unsuccessful in accurately estimating the time or resources required to fulfil our obligations under a contract, or if unexpected factors, including those outside of our control, arise, there may be an impact on costs or the delivery schedule which could have an adverse impact on our expected profit margins.

Risks related to teaming agreements and subcontracts

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

Our partners' ability to deliver on their commitments

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

Guarantees risk

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

Risk related to human resources utilization rates

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

Client concentration risk

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

Government business risk

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

Regulatory risk

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

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

Legal claims made against our work

We create, implement and maintain IT solutions that are often critical to the operations of our clients' business. Our ability to complete large projects as expected could be adversely affected by unanticipated delays, renegotiations, and changing client requirements or project delays. Also, our solutions may suffer from defects that adversely affect their performance; they may not meet our clients' requirements or may fail to perform in accordance with applicable service levels. Such

problems could subject us to legal liability, which could adversely impact our business, operating results and financial condition, and may negatively affect our professional reputation. We typically include provisions in our contracts which are designed to limit our exposure to legal claims relating to our services and the applications we develop. These provisions may not protect us adequately or may not be enforceable under some circumstances or under the laws of some jurisdictions.

Information and infrastructure risks

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

Risk of harm to our reputation

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

Risks associated with the integration of new operations

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

Liquidity and funding risks

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

Foreign exchange risk

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

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

10.2. LEGAL PROCEEDINGS

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

Transfer Agent

Computershare Investor Services Inc.
(800) 564-6253

Investor Relations

Lorne Gorber
Senior Vice-President, Global Communications & Investor Relations
Telephone: (514) 841-3355
lorne.gorber@cgi.com

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Groupe CGI Inc./CGI Group Inc.

Date: December 20, 2012

By: /s/ Benoit Dubé
Name: Benoit Dubé
Title: Executive Vice-President and
Chief Legal Officer

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.

**CONSENT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

We consent to the use in this Annual Report [Form 40-F] of **CGI Group Inc.** [the “Company”] of our report dated November 27, 2012 with respect to the consolidated financial statements of the Company as of September 30, 2012, 2011 and October 1, 2010 and for the years ended September 30, 2012 and 2011 included herein and our report dated November 27, 2012 with respect to the effectiveness of internal control over financial reporting as of September 30, 2012.

We also consent to the incorporation by reference in Registration Statements [Form S-8 Nos. 333-112021, 333-13350, 333-66044, 333-74932, 333-146175 and 333-177013] pertaining to the Company’s stock option plans of our reports dated November 27, 2012 with respect to the consolidated financial statements of the Company as of September 30, 2012, 2011 and October 1, 2010 and for the years ended September 30, 2012 and 2011 included herein and the effectiveness of internal control over financial reporting as of September 30, 2012.

Montréal, Canada
December 20, 2012

Ernst & Young LLP
Chartered Professional Accountants

CERTIFICATION

I, Michael E. Roach, certify that:

1. I have reviewed this annual report on Form 40-F of CGI Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: December 20, 2012

/s/ Michael E. Roach

Michael E. Roach

President and Chief Executive Officer

CERTIFICATION

I, R. David Anderson, certify that:

1. I have reviewed this annual report on Form 40-F of CGI Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: December 20, 2012

/s/ R. David Anderson
 R. David Anderson
 Executive Vice-President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION. 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Annual Report on Form 40-F for the fiscal year ended September 30, 2012 (the “Report”) by CGI Group Inc. (the “Company”), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 20, 2012

/s/ Michael E. Roach

Michael E. Roach

President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION. 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Annual Report on Form 40-F for the fiscal year ended September 30, 2012 (the "Report") by CGI Group Inc. (the "Company"), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 20, 2012

/s/ R. David Anderson

R. David Anderson

Executive Vice-President and Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of January 2013

Commission File Number 1-14858

CGI Group Inc.
(Translation of Registrant's Name Into English)

**1350 René-Lévesque Boulevard West
15th Floor
Montreal, Quebec
Canada H3G 1T4**
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☐ Form 40-F ☒

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing 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.

Yes ☐ No ☒

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-____.

Enclosure: MD&A for the first quarter ended December 31, 2012 and consolidated unaudited financial statements for the three months ended December 31, 2012 and 2011.

This Form 6-K shall be deemed incorporated by reference in the Registrant's Registration Statement on Form S-8, Reg. Nos. 333-13350, 333-66044, 333-74932, 333-112021, 333-146175, and 333-177013.

The following are filed herewith and incorporated herein:

Exhibit Number	Description
99.1	Management's Discussion and Analysis of Financial Position and Results of Operations for the first quarter ended December 31, 2012.
99.2	Consolidated unaudited financial statements for the three months ended December 31, 2012 and 2011.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CGI GROUP INC.
(Registrant)

Date: January 30, 2013

By /s/ Benoit Dubé
Name: Benoit Dubé
Title: Executive Vice-President and Chief Legal Officer

EX-99.1 2 d467168dex991.htm EXHIBIT 99.1

Exhibit 99.1



**MANAGEMENT'S DISCUSSION AND ANALYSIS
Q1 2013**

January 30, 2013

Basis of Presentation

This Management's Discussion and Analysis of the Financial Position and Results of Operations ("MD&A") is the responsibility of management and has been reviewed and approved by the Board of Directors. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors is ultimately responsible for reviewing and approving the MD&A. The Board of Directors carries out its responsibility mainly through its Audit and Risk Management Committee, which is appointed by the Board of Directors and is comprised entirely of independent and financially literate directors.

Throughout this document, CGI Group Inc. is referred to as "CGI", "we", "our" or "Company". This MD&A provides information management believes is relevant to an assessment and understanding of the consolidated results of operations and financial condition of the Company. This document should be read in conjunction with the condensed consolidated financial statements and the notes thereto for the three months ended December 31, 2012 and 2011. CGI's accounting policies are in accordance with International Financials Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). All dollar amounts are in Canadian dollars unless otherwise indicated.

Materiality of Disclosures

This MD&A includes information we believe is material to investors. We consider something to be material if it results in, or would reasonably be expected to result in, a significant change in the market price or value of our shares, or if it is likely that a reasonable investor would consider the information to be important in making an investment decision.

Forward-Looking Statements

All statements in this MD&A that do not directly and exclusively relate to historical facts constitute "forward-looking statements" within the meaning of that term in Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934, as amended, and are "forward-looking information" within the meaning of Canadian securities laws. These statements and this information represent CGI's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties and other factors, of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements or forward-looking information. These factors include but are not restricted to: the timing and size of new contracts; acquisitions and other corporate developments; the ability to attract and retain qualified members; market competition in the rapidly evolving information technology industry; general economic and business conditions; foreign exchange and other risks identified in the MD&A, in CGI's Annual Report on Form 40-F filed with the U.S. Securities and Exchange Commission (filed on EDGAR at www.sec.gov), the Company's Annual Information Form filed with the Canadian securities authorities (filed on SEDAR at 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 Section 8 – Risk Environment.

CGI Group Inc. – Management's Discussion and Analysis for the three months ended December 31, 2012

2

Non-GAAP Measures

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

1. Earnings before acquisition-related and integration costs, finance costs, finance income, other income, share of profit on joint venture, and income tax expense (“adjusted EBIT”);
2. Constant currency growth;
3. Days Sales Outstanding (“DSO”);
4. Return on Invested Capital (“ROIC”);
5. Return on Equity (“ROE”); and
6. Net Debt to Capitalization ratio.

Management believes that these non-GAAP measures provide useful information to investors regarding the Company’s financial condition and results of operations as they provide additional measures of its performance. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with IFRS.

A reconciliation of adjusted EBIT to its closest IFRS measure can be found on page 19. Definitions of constant currency growth, DSO, ROIC, ROE, and net debt to capitalization are provided on pages 8 and 9. A discussion of DSO, ROIC, ROE and net debt to capitalization can be found on page 24.

Change in Reporting Segments

Our management reporting structure was changed effective October 1, 2012 to reflect our new operating segments established following the acquisition of Logica plc (“Logica”) on August 20, 2012. This included the modification of our basis of reporting such that the revenue and profitability of our Global Infrastructure Services (“GIS”) activities were reallocated to each geographic segment. Our reporting segments are now as follows: Canada; United States of America (“U.S.”); Nordics, Southern Europe and South America (“NSESA”); Central and Eastern Europe (including the Netherlands, Germany, and Belgium) (“CEE”); United Kingdom (“U.K.”); Asia Pacific (including Australia, India, Philippines and the Middle East); and France (including Luxembourg and Morocco). This MD&A reflects the current segmentation and therefore the segmented results for the three months ended December 31, 2011 were retrospectively revised. Prior to October 1, 2012, the Company managed and reviewed the operations of Logica as one component and it was therefore being presented as its own operating segment for the year ended September 30, 2012. Please refer to Note 8 of our condensed consolidated financial statements for additional information on our segments.

MD&A Objectives and Contents

- Provide a narrative explanation of the condensed consolidated financial statements through the eyes of management;
- Provide the context within which the condensed 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:

<u>Section</u>	<u>Contents</u>	<u>Pages</u>
1. Corporate Overview	This includes a description of our business and how we generate revenue as well as the markets in which we operate.	
	1.1. About CGI	6
	1.2. Vision and Strategy	7
	1.3. Competitive Environment	7
2. Highlights and Key Performance Measures	A summary of key achievements during the quarter, the past eight quarters' key performance measures, and CGI's share performance.	
	2.1. Q1 2013 Highlights	7
	2.2. Key Performance Measures Defined	8
	2.3. Selected Quarterly Information & Key Performance Measures	9
	2.4. Stock Performance	10
3. Financial Review	A discussion of year-over-year changes to operating results for the three months ended December 31, 2012 and 2011, describing the factors affecting revenue and adjusted EBIT 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, by vertical market, by contract type and by service type.	
	3.1. Bookings and Book-to-Bill Ratio	11
	3.2. Foreign Exchange	12
	3.3. Revenue Distribution	13
	3.4. Revenue Variation and Revenue by Segment	14
	3.5. Operating Expenses	16
	3.6. Adjusted EBIT by Segment	17
	3.7. Earnings before Income Taxes	19
	3.8. Net Earnings and Earnings Per Share ("EPS")	20
CGI Group Inc. – Management's Discussion and Analysis for the three months ended December 31, 2012		4

<u>Section</u>	<u>Contents</u>	<u>Pages</u>
4. Liquidity	This includes a discussion of changes in cash flows from operating, investing and financing activities. This section also describes the Company's available capital resources, financial instruments, and off-balance sheet financing and guarantees. Measures of liquidity (days sales outstanding) and capital structure (return on equity, net debt to capitalization, and return on invested capital) are analyzed on a year-over-year basis.	
	4.1. Condensed Consolidated Statements of Cash Flows	22
	4.2. Capital Resources	23
	4.3. Contractual Obligations	24
	4.4. Financial Instruments and Hedging Transactions	24
	4.5. Selected Measures of Liquidity and Capital Resources	24
	4.6. Off-Balance Sheet Financing and Guarantees	25
	4.7. Capability to Deliver Results	25
5. Changes in Accounting Standards	A summary of future accounting standards to be adopted.	26
6. Critical Accounting Estimates	A discussion of the estimates and judgements made in the preparation of the consolidated financial statements.	26
7. Integrity of Disclosure	A discussion of the existence of appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.	30
8. Risk Environment	A discussion of the risks affecting our business activities and what may be the impact if these risks are realized.	
	8.1. Risks and Uncertainties	31
	8.2. Legal Proceedings	38
CGI Group Inc. – Management's Discussion and Analysis for the three months ended December 31, 2012		5

1. Corporate Overview

1.1. ABOUT CGI

Founded in 1976 and headquartered in Montreal, Canada, CGI is the fifth largest independent information technology and business process services firm in the world. CGI has approximately 71,000 employees, whom we refer to as members, across the globe. The Company's proximity model provides for work to be delivered onsite at clients' premises, on-shore, near-shore or through one of its global offshore delivery centres. We also have a number of leading business solutions that support long-term client relationships. Our services are broken down as:

- Consulting – CGI provides a full range of IT and management consulting services, including business transformation, IT strategic planning, business process engineering and systems architecture.
- Systems integration – CGI integrates and customizes leading technologies and software applications to create IT systems that respond to clients' strategic needs.
- Management of IT and business functions ("outsourcing") – Clients delegate entire or partial responsibility for their IT or business functions to CGI to achieve significant savings and access the best suited technology, while retaining control over strategic IT and business functions. As part of such agreements, we implement our quality processes and practices to improve the efficiency of the clients' operations. We also integrate clients' operations into our technology network. Finally, we may take on specialized professionals from our clients, enabling our clients to focus on key operations. Services provided as part of an outsourcing contract may include development and integration of new projects and applications; applications maintenance and support; technology infrastructure management (enterprise and end-user computing and network services); transaction and business processing such as payroll, insurance processing, and document management services. Outsourcing contracts typically have terms from five to ten years.

CGI offers its end-to-end services to a focused set of industry vertical markets where we have developed extensive and deep subject matter expertise. This allows us to fully understand our clients' business realities and to have the knowledge and solutions needed to advance their business goals. Our targeted vertical markets include the following:

- Financial services – Helping financial institutions, including most major banks and top insurers, to reduce costs, increase efficiency and improve customer service.
- Government – Supporting over 2,000 government organizations in reducing costs and improving the efficiency, quality and accountability of public service organizations, all while increasing citizen engagement.
- Health – Helping more than 1,000 healthcare facilities, hospitals and departments of health implement solutions for better care, better business and better outcomes.
- Telecommunications and utilities – Helping six of the top ten global telecommunications providers and nine of the top ten European utilities deliver new revenue streams and improve productivity and service.
- Manufacturing, retail and distribution ("MRD") – Enabling business transformation for more than 2,000 clients by improving efficiency and loyalty, lowering costs and boosting sustainable growth.

CGI has a wide range of proprietary business solutions which help shape opportunities and drive value for our clients and shareholders. Examples of these include Enterprise Resource Planning solutions, energy management, credit and debt collections, tax management, claims auditing and fraud detection.

We take great pride in delivering high quality services to our clients. To do so consistently, we have implemented and continue to maintain the International Organization for Standardization ("ISO") quality program. By designing and implementing rigorous service delivery and quality standards, followed by monitoring and measurement, we are better able to satisfy our clients' needs. As a measure of the scope of our ISO program, all of the legacy CGI's business units continue to be certified and we have initiated the work on harmonizing Logica's processes to apply for the same certification.

1.2. VISION AND STRATEGY

Our strategy is based on long-term fundamentals and has not changed since September 30, 2012. Please refer to our 2012 Annual Report or visit www.cgi.com for further details.

1.3. COMPETITIVE ENVIRONMENT

There have been no significant changes to the description outlined in our 2012 Annual Report.

2. Highlights and Key Performance Measures

2.1. Q1 2013 HIGHLIGHTS

Q1 2013 marks the first full quarter of results from Logica's businesses. Operational highlights for the quarter include:

- Revenue of \$2.5 billion, an increase of 147.5% on a constant currency basis;
- Bookings of \$2.8 billion, 112.3% of revenue;
- Backlog of \$18.3 billion, an increase of 34.8% year-over-year;
- Adjusted EBIT of \$209.5 million, an increase of 49.7% year-over-year;
- Adjusted EBIT margin of 8.3%;
- Net earnings of \$137.8 million or diluted EPS of \$0.44 excluding integration costs;
- Net earnings of \$22.4 million or diluted EPS of \$0.07;
- Cash provided by operating activities of \$224.5 million or \$0.71 per diluted share;
- Reduced debt by \$107.1 million; and
- Return on invested capital of 10.9%.

2.1.1. Acquisition of Logica plc

On August 20, 2012, CGI completed its acquisition of Logica for 105 pence (\$1.63) per ordinary share which is equivalent to a total purchase price of \$2.7 billion plus the assumption of Logica's net debt of \$0.9 billion. Subsequent to August 20, 2012, our results incorporated the operations of Logica.

Based on the impact of the issuance of the new debt and equity and the realization of some of the planned synergies, the transaction is expected to be accretive in the range of 25% to 30% in the first 12 months to CGI's earnings per share excluding acquisition-related and integration costs. As the Company continues to realize an approximate amount of \$300 million of annual business synergies over the next three years at an approximate cost of \$400 million, we expect the accretion level of EPS to increase.

The combined company now has approximately 71,000 members and annualized revenue in excess of \$10 billion, offering clients across the world the best mix of business and technology expertise as well as an unmatched combination of local and global delivery options. In addition to operational breadth and depth, the combined business has critical mass and blue chip client relationships. CGI incurred \$153.4 million in acquisition-related and integration costs during the current quarter and \$408.4 million in acquisition-related and integration costs since the date of the acquisition announcement. Of this \$408.4 million, \$263.1 million were integration costs. Integration costs include the cost of transforming Logica's operations to the CGI operating model. The acquisition-related costs consist mainly of professional fees incurred for the acquisition.

2.2. KEY PERFORMANCE MEASURES DEFINED

We use a combination of financial measures, ratios, and non-GAAP measures to assess our Company's performance. The table below summarizes our most relevant key performance measures. The calculated results and the discussion of each indicator follow in the subsequent sections.

Profitability	- Adjusted EBIT – is a measure of earnings before items not directly related to the cost of operations, such as financing costs, acquisition-related and integration costs and income taxes (see definition on page 2). Management believes this best reflects the profitability of our operations. - Diluted earnings per share – is a measure of earnings generated for shareholders on a per share basis, assuming all dilutive elements are exercised.
Liquidity	- Cash provided by operating activities – is a measure of cash generated from managing our day-to-day business operations. We believe strong operating cash flow is indicative of financial flexibility, allowing us to execute our corporate strategy. - Days sales outstanding – is the average number of days to convert our trade receivables and work in progress into cash. Management tracks this metric closely to ensure timely collection, healthy liquidity, and is committed to a DSO target of 45 days.
Growth	- Constant currency growth – is a measure of revenue growth before foreign currency impacts. This growth is calculated by translating current period results in local currency using the conversion rates in the equivalent period from the prior year. We believe that it is helpful to adjust revenue to exclude the impact of currency fluctuations to facilitate period-to-period comparisons of business performance. - Backlog – represents management's best estimate of revenue to be realized in the future based on the terms of respective client agreements in effect at a point in time. - Book-to-Bill ratio – is a measure of the proportion of the value of our contract wins to our revenue in the period. This metric allows management to monitor the Company's business development efforts to ensure we grow our backlog and our business over time. Management remains committed to maintaining a target ratio greater than 100% over a 12-month period. Management believes that the longer period is a more effective measure as the size and timing of bookings could cause this measurement to fluctuate significantly if taken for only a three-month period.
Capital Structure	- Net Debt to Capitalization ratio – is a measure of our level of financial leverage net of our cash and cash equivalents, short-term investments and marketable long-term investments. Management uses this metric to monitor the proportion of debt versus capital used to finance our operations and it provides insight into our financial strength. - 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.

2.3. SELECTED QUARTERLY INFORMATION & KEY PERFORMANCE MEASURES

As at and for the three months ended <i>In millions of CAD unless otherwise noted</i>	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011	June 30, 2011	Mar. 31, 2011
Growth								
Backlog ¹	18,281	17,647	13,610	13,118	13,558	13,398	12,587	12,459
Bookings	2,845	1,523	1,478	787	1,392	1,472	1,442	771
Book-to-bill ratio	112%	95%	139%	74%	135%	146%	142%	69%
Revenue	2,532.9	1,609.7	1,064.9	1,065.8	1,032.1	1,005.7	1,012.8	1,111.7
Year-over-year growth ²	145.4%	60.1%	5.1%	(4.1%)	(5.6%)	2.4%	15.1%	24.5%
Constant currency growth ²	147.5%	59.6%	3.0%	(4.8%)	(6.1%)	5.3%	18.0%	27.9%
Profitability								
Adjusted EBIT ³	209.5	114.1	136.3	156.4	139.9	88.6	139.2	153.7
Adjusted EBIT margin	8.3 %	7.1 %	12.8 %	14.7 %	13.6 %	8.8 %	13.7 %	13.8 %
Net earnings	22.4	(168.0)	87.2	105.7	106.5	69.5	123.2	118.7
Net earnings margin	0.9 %	(10.4 %)	8.2 %	9.9 %	10.3 %	6.9 %	12.2 %	10.7 %
Basic EPS (in dollars)	0.07	(0.60)	0.34	0.41	0.41	0.27	0.47	0.45
Diluted EPS (in dollars)	0.07	(0.58)	0.33	0.40	0.40	0.26	0.45	0.43
Liquidity								
Cash provided by operating activities	224.5	109.3	251.0	104.2	148.7	186.6	93.2	192.4
As a % of revenue	8.9 %	6.8 %	23.6 %	9.8 %	14.4 %	18.6 %	9.2 %	17.3 %
Days sales outstanding ⁴	49	77	49	53	51	53	52	43
Capital structure								
Net debt to capitalization ratio ⁵	44.7%	46.6%	19.4%	24.0%	26.6%	27.4%	28.7%	29.2%
Net debt	2,964.7	3,105.3	633.4	795.3	879.5	919.0	929.0	940.6
Return on equity ⁶	1.7%	5.0%	15.4%	17.4%	18.4%	19.6%	20.5%	19.0%
Return on invested capital ⁷	10.9%	11.4%	11.8%	12.5%	12.8%	13.7%	15.7%	15.9%
Balance sheet								
Cash and cash equivalents, bank overdraft and short-term investments	161.6	127.6	77.4	70.2	63.9	70.8	12.6	66.4
Total assets	10,717.7	10,453.4	4,550.4	4,550.4	4,578.8	4,657.4	4,408.4	4,538.9
Long-term financial liabilities ⁸	4,025.5	4,131.9	855.0	969.8	1,066.3	238.2	1,032.1	1,101.7

¹ Backlog includes new contract wins, extensions and renewals (“bookings”), partially offset by the backlog consumed during the quarter as a result of client work performed and adjustments related to the volume, cancellation and/or the impact of foreign currencies to our existing contracts. Backlog incorporates estimates from management that are subject to change.

² Constant currency growth is adjusted to remove the impact of foreign currency exchange rate fluctuations. Please refer to page 14 for details. The reader should note that both the year-over-year and constant currency growth rates for fiscal 2011 have not been restated as fiscal 2010 numbers under IFRS are not available.

³ Adjusted EBIT is a non-GAAP measure for which we provide the reconciliation to its closest IFRS measure on page 19.

⁴ Days sales outstanding are obtained by subtracting deferred revenue from trade accounts receivable and work in progress; the result is divided by the quarter’s revenue over 90 days. Deferred revenue is net of the fair value adjustments on revenue-generating contracts assumed through the Logica acquisition.

⁵ The net debt to capitalization ratio represents the proportion of debt net of cash and cash equivalents, short-term and marketable long-term investments (“net debt”) over the sum of shareholders’ equity and debt.

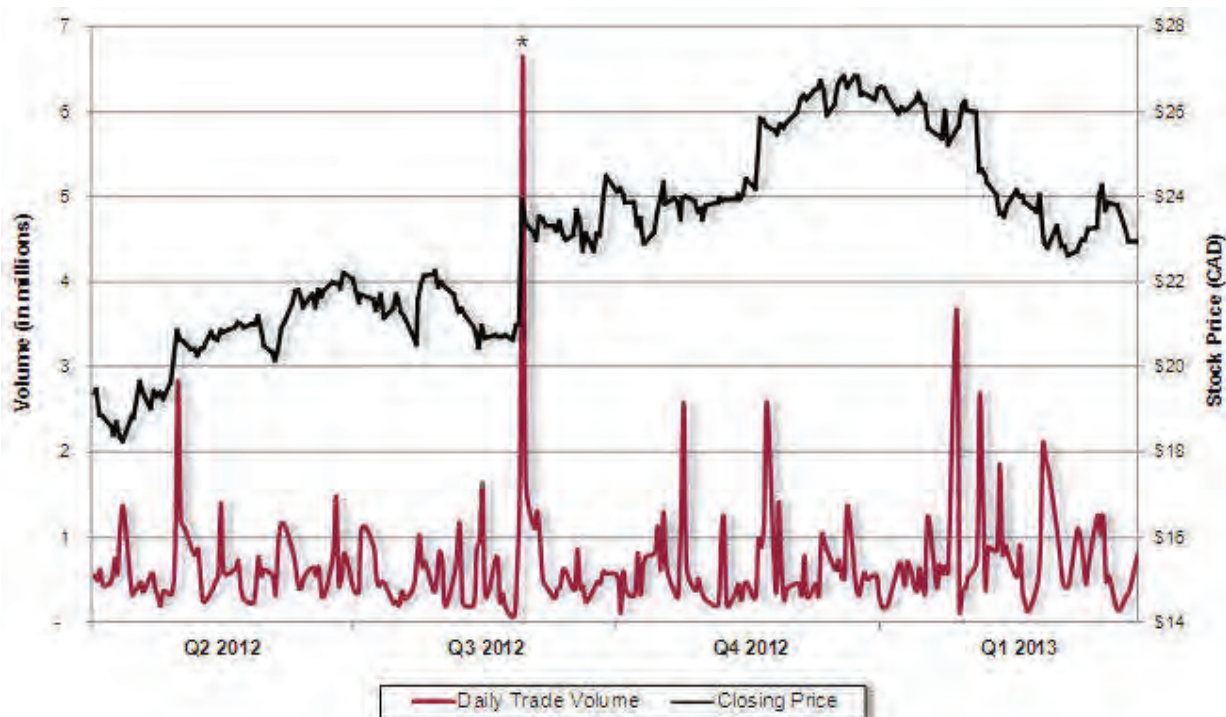
⁶ The return on equity ratio is calculated as the proportion of earnings for the last 12 months over the last four quarters’ average equity.

⁷ The return on invested capital ratio represents the proportion of the after-tax adjusted EBIT for the last 12 months, over the last four quarters’ average invested capital, which is defined as the sum of equity and debt, less cash and cash equivalents, short-term and marketable long-term investments.

⁸ Long-term financial liabilities include the long-term portion of debt, long-term provisions, retirement benefits obligations and other long-term liabilities.

2.4. STOCK PERFORMANCE

CGI Stock Prices (TSX) for the Last Twelve Months



* May 31, 2012 – Logica acquisition announcement date; 6.7 million shares were traded on the TSX.

2.4.1. Q1 2013 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	(CDNS)	NYSE	(US\$)
Open:	26.36	Open:	26.92
High:	26.85	High:	27.46
Low:	22.33	Low:	22.51
Close:	22.94	Close:	23.13
CDN average daily trading volumes:	1,278,286	U.S. average daily trading volumes:	139,609

Includes the average daily volumes of both the TSX and alternative trading systems.

2.4.2. Share Repurchase Program

On February 1, 2012, the Company's Board of Directors authorized and subsequently received the approval from the TSX for the renewal of the Normal Course Issuer Bid ("NCIB") to purchase up to 10% of the public float of the Company's Class A subordinate shares over the next 12 months. The NCIB enables CGI to purchase, on the open market, up to 22,064,163 Class A subordinate shares for cancellation. The Class A subordinate shares may be purchased under the NCIB commencing February 9, 2012 and ending on the earlier of February 8, 2013, or the date on which the Company has either acquired the maximum number of Class A subordinate shares allowable under the NCIB, or elects to terminate the NCIB.

During the first quarter of fiscal 2013, the Company repurchased 5,000 of its Class A subordinate shares for \$112.5 thousand at an average price of \$22.50 under the current NCIB.

From February 9, 2012 to January 25, 2013, under the terms of the current NCIB, the Company repurchased 1,050,700 of its Class A subordinate shares for \$21.7 million at an average price of \$20.68. This represents 4.8% of the total allowable buyback.

On January 30, 2013 the Company's Board of Directors authorized the renewal of the NCIB and the purchase of up to 10%, or approximately 20.7 million of the public float of the Company's Class A subordinate shares over the next 12 months, subject to regulatory approval.

2.4.3. Capital Stock and Options Outstanding (as at January 25, 2013)

274,486,679 Class A subordinate shares

33,608,159 Class B shares

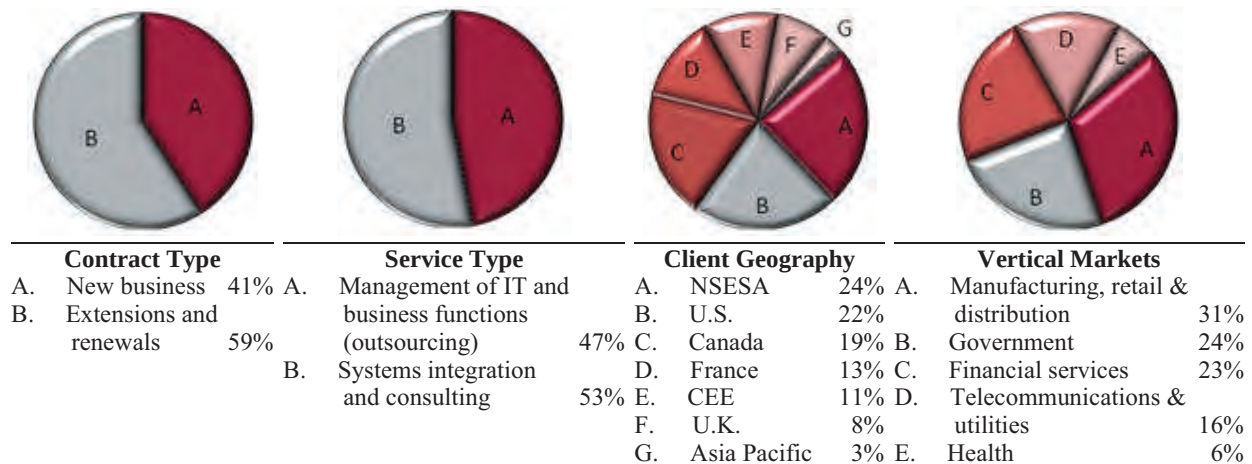
21,132,265 options to purchase Class A subordinate shares

3. Financial Review

3.1. BOOKINGS AND BOOK-TO-BILL RATIO

Bookings for the quarter were \$2.8 billion, representing a book-to-bill ratio of 112.3%, bringing the trailing twelve-month book-to-bill ratio to 105.7%. Bookings for the trailing twelve-month period were \$6.6 billion.

The breakdown of the \$2.8 billion in bookings signed during the quarter is as follows:



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

3.2. FOREIGN EXCHANGE

The Company operates globally and is exposed to changes in foreign currency rates. We report all dollar amounts in Canadian dollars. Accordingly, we value assets, liabilities and transactions that are measured in foreign currencies using various exchange rates as prescribed by IFRS.

Closing foreign exchange rates

<u>As at December 31,</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>
U.S. Dollar	0.9949	1.0170	(2.2%)
Euro	1.3118	1.3193	(0.6%)
Indian rupee	0.0181	0.0192	(5.7%)
British pound	1.6178	1.5799	2.4%
Swedish krona	0.1528	0.1479	3.3%
Australian dollar	1.0339	1.0424	(0.8%)

Average foreign exchange rates

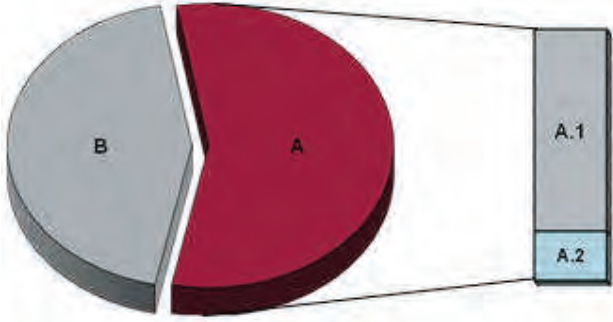
<u>For the three months ended December 31,</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>
U.S. Dollar	0.9913	1.0232	(3.1%)
Euro	1.2857	1.3790	(6.8%)
Indian rupee	0.0183	0.0202	(9.4%)
British pound	1.5920	1.6077	(1.0%)
Swedish krona	0.1491	0.1516	(1.6%)
Australian dollar	1.0295	1.0358	(0.6%)

CGI Group Inc. – Management’s Discussion and Analysis for the three months ended December 31, 2012

12

3.3. REVENUE DISTRIBUTION

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



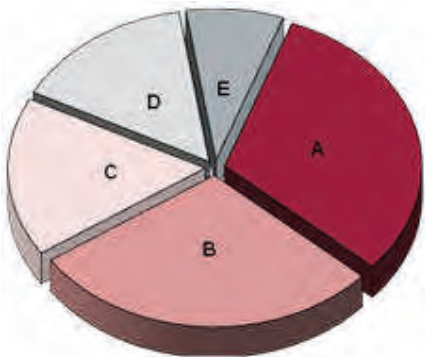
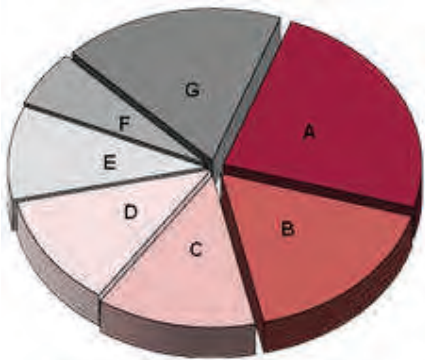
Service Type

- A. Management of IT and business functions (outsourcing) – 56%
 - 1. IT services – 45%
 - 2. Business process services – 11%
- B. Systems integration and consulting – 44%

Client Geography

Based on client's domicile

- A. U.S. – 24%
- B. Canada – 17%
- C. France – 13%
- D. U.K. – 12%
- E. Sweden – 10%
- F. Finland – 6%
- G. Rest of the world – 18%



Vertical Markets

- A. Government – 31%
- B. Manufacturing, retail & distribution – 29%
- C. Financial services – 17%
- D. Telecommunications & utilities – 15%
- E. Health – 8%

3.3.1. Client Concentration

IFRS guidance on Segment Disclosures defines a single customer as a group of entities that are known to the reporting enterprise to be under common control. The Company considers the federal government, the provincial or territorial government, the local government, or a foreign government each to be a single customer. Our work for the U.S. federal government including its various agencies represented 13.4% of our revenue for the first quarter of fiscal 2013 compared to 31.3% in the same period for fiscal 2012.

3.4. REVENUE VARIATION AND REVENUE BY SEGMENT

Our seven segments are based on our geographic delivery model: United States (“U.S.”), Nordics and Southern Europe and South America (“NSES”), Canada, France, United Kingdom (“U.K.”), Central and Eastern Europe (“CEE”), and Asia Pacific.

The following table provides a summary of the year-over-year changes in our revenue, in total and by segment, separately showing the impacts of foreign currency exchange rate variations between the Q1 2013 and Q1 2012 periods. The Q1 2012 revenue by segment was recorded reflecting the actual foreign exchange rates for that period. The foreign exchange impact is the difference between the current period’s actual results and the current period’s results converted with the prior year’s foreign exchange rates. Since our presence in the segments NSES, France, U.K., CEE, and Asia Pacific was not significant in the prior year, management believes that calculating the foreign exchange impact by applying the exchange rate differential to the legacy CGI Q1 2012 revenue amounts is more representative for these segments.

For the three months ended December 31,
In thousands of CAD except for percentages

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Total CGI revenue	2,532,929	1,032,139	145.4%
Variation prior to foreign currency impact	147.5%		
Foreign currency impact	(2.1%)		
Variation over previous period	145.4%		
U.S.			
Revenue prior to foreign currency impact	595,994	497,259	19.9%
Foreign currency impact	(18,666)		
U.S. revenue	577,328	497,259	16.1%
NSES			
Revenue prior to foreign currency impact	534,365	9,882	5,307.5%
Foreign currency impact	(714)		
NSES revenue	533,651	9,882	5,300.2%
Canada			
Revenue prior to foreign currency impact	427,704	444,983	(3.9%)
Foreign currency impact	—		
Canada revenue	427,704	444,983	(3.9%)
France			
Revenue prior to foreign currency impact	322,018	8,007	3,921.7%
Foreign currency impact	(578)		
France revenue	321,440	8,007	3,914.5%
U.K.			
Revenue prior to foreign currency impact	293,063	15,923	1,740.5%
Foreign currency impact	(154)		
U.K. revenue	292,909	15,923	1,739.5%

CGI Group Inc. – Management’s Discussion and Analysis for the three months ended December 31, 2012

14

<u>For the three months ended December 31,</u>	<u>2012</u>	<u>2011</u>	<u>Change</u>
CEE			
Revenue prior to foreign currency impact	264,338	22,729	1,063.0%
Foreign currency impact	(1,642)		
CEE revenue	262,696	22,729	1,055.8%
Asia Pacific			
Revenue prior to foreign currency impact	117,389	33,356	251.9%
Foreign currency impact	(188)		
Asia Pacific revenue	117,201	33,356	251.4%

We ended the first quarter of fiscal 2013 with revenue of \$2,532.9 million, an increase of \$1,500.8 million or 145.4% over the same period of fiscal 2012. On a constant currency basis, revenue increased by 147.5%, while foreign currency rate fluctuations unfavourably impacted our revenue by \$21.9 million or 2.1%.

The significant revenue growth year-over-year was due to the full quarter's impact of the Logica acquisition, and to a lesser extent from the continued growth in our U.S. operations, which posted a constant currency growth of 19.9%. Combined with our former Europe segment, the Logica segment is now separated into NSESA, France, U.K., CEE, and Asia Pacific. Revenue from these five segments represented \$1,527.9 million or 60.3% of total CGI revenue.

Year-over-year, on a company-wide basis, our MRD vertical market grew the most followed by our government and telecommunications & utilities verticals.

3.4.1. U.S.

Revenue in our U.S. segment was \$577.3 million in Q1 2013, an increase of \$80.0 million or 16.1% from \$497.3 million in Q1 2012. When removing the unfavourable foreign exchange impact of \$18.7 million, revenue grew \$98.7 million or 19.9% year-over-year. The increase in revenue reflects the higher levels of bookings in the previous quarters now coming on stream, primarily in the government and health vertical markets, and to a lesser extent the addition of Logica's U.S. business.

3.4.2. NSESA

Revenue from our NSESA segment was \$533.7 million in the first quarter of fiscal 2013, an increase of \$523.8 million from the same period in the prior year. This increase was due to the acquisition of Logica, where their business market is concentrated in Norway, Sweden, Finland, Spain, Portugal, Brazil, and Denmark while CGI had operations in Spain and Portugal in Q1 2012. During the current quarter, NSESA's top two vertical markets were MRD and government, which together accounted for approximately 64% of its revenue.

3.4.3. Canada

Revenue in our Canada segment for Q1 2013 was \$427.7 million, a decrease of \$17.3 million or 3.9% compared to Q1 2012. The majority of the revenue change was due to the expiration of a document management services contract in the financial services vertical. Modest growth was observed across the country from new contracts, offset by lower volume of projects with existing clients.

3.4.4. France

Revenue from our France segment was \$321.4 million in the first quarter of fiscal 2013, an increase of \$313.4 million from the same period in the prior year. This increase was due to the acquisition of Logica. During the current quarter, France's top two vertical markets were MRD and financial services, which together accounted for approximately 65% of its revenue.

3.4.5. U.K.

Revenue from our U.K. segment was \$292.9 million in the first quarter of fiscal 2013, an increase of \$277.0 million from the same period in the prior year. This increase was due to the acquisition of Logica. During the current quarter, the U.K.'s top two vertical markets were MRD and government, which together accounted for approximately 82% of its revenue.

3.4.6. CEE

Revenue from our CEE segment was \$262.7 million in the first quarter of fiscal 2013, an increase of \$240.0 million from the same period in the prior year. This increase was due to the acquisition of Logica, where their business market is concentrated in the Netherlands, Germany, Belgium, Czech Republic and Poland, while CGI had operations in Germany and Poland in Q1 2012. During the current quarter, CEE's top two vertical markets were MRD and government, which together accounted for approximately 57% of its revenue.

3.4.7. Asia Pacific

Revenue from our Asia Pacific segment was \$117.2 million in the first quarter of fiscal 2013, an increase of \$83.8 million from the same period in the prior year. This increase was due to the acquisition of Logica, which expanded our customer base in Australia, increased our delivery capacity in India, added delivery capacity in the Philippines, as well as added new business from Malaysia and the Middle East. During the current quarter, Asia Pacific's top two vertical markets were telecommunications & utilities and MRD, which together accounted for approximately 75% of its revenue.

3.5. OPERATING EXPENSES

For the three months ended December 31,
In thousands of CAD except for percentages

	2012	% of Revenue	2011	% of Revenue	Change \$	Change %
Costs of services, selling and administrative	2,320,922	91.6%	893,298	86.5%	1,427,624	159.8%
Foreign exchange loss (gain)	2,516	0.1%	(1,105)	(0.1%)	3,621	(327.7%)

3.5.1. Costs of Services, Selling and Administrative

Costs of services, selling and administrative expenses amounted to \$2,320.9 million in Q1 2013, an increase of \$1,427.6 million from \$893.3 million in Q1 2012. The translation of the results of our foreign operations from their local currencies to the Canadian dollar favourably impacted costs by \$20.4 million, partially offsetting the unfavourable translation impact of \$21.9 million on revenue. The increase in cost of services, selling and administrative expenses was mainly due to the incremental costs of operating the recently acquired business of Logica. As a percentage of revenue, costs of services, selling and administrative also increased from 86.5% in the first quarter of 2012 to 91.6% in the current quarter. The increase was primarily due to the blending of Logica's operations, which had a higher cost base, with CGI's operations. Our integration plan is to implement CGI's business model across Logica as rapidly as possible in order to improve our margins in the future periods.

3.5.2. Foreign Exchange Gain

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

3.6. ADJUSTED EBIT BY SEGMENT

For the three months ended December 31,

In thousands of CAD except for percentages

	2012	2011	Change
U.S.	60,404	46,875	28.9%
<i>As a percentage of U.S. revenue</i>	10.5 %	9.4 %	
NSESA	17,245	428	3,929.2%
<i>As a percentage of NSESA revenue</i>	3.2 %	4.3 %	
Canada	83,626	83,584	0.1%
<i>As a percentage of Canada revenue</i>	19.6 %	18.8 %	
France	13,218	11	120,063.6%
<i>As a percentage of France revenue</i>	4.1 %	0.1 %	
U.K.	9,135	926	886.5%
<i>As a percentage of U.K. revenue</i>	3.1 %	5.8 %	
CEE	15,082	1,975	663.6%
<i>As a percentage of CEE revenue</i>	5.7 %	8.7 %	
Asia Pacific	10,781	6,147	75.4%
<i>As a percentage of Asia Pacific revenue</i>	9.2 %	18.4 %	
Adjusted EBIT	209,491	139,946	49.7%
<i>Adjusted EBIT margin</i>	8.3 %	13.6 %	

Adjusted EBIT for the quarter was \$209.5 million, an increase of \$69.5 million or 49.7% from the previous year, while the margin decreased from 13.6% to 8.3% over the same period. The significant growth in adjusted EBIT was due to the acquisition of Logica. Combined with our former Europe segment, the Logica segment is now separated into NSESA, France, U.K., CEE, and Asia Pacific. Adjusted EBIT from these five segments was \$65.5 million or an adjusted EBIT margin of 4.3%. We are continuing to execute our integration plan to implement CGI's business model to increase the margins in these segments in the future periods.

Our Canada and U.S. segments continued to post strong margins, contributing \$144.0 million in Q1 2013 compared to \$130.5 million in Q1 2012, or 14.3% of revenue compared to 13.8% in Q1 2012.

3.6.1. U.S.

Adjusted EBIT in the U.S. segment was \$60.4 million for the quarter ended December 31, 2012, an increase of \$13.5 million or 28.9% year-over-year, while the margin also increased from 9.4% to 10.5%. These improved results came primarily from the revenue growth as a result of the new contracts and the ramp up of work with clients in the government and health vertical markets as outlined above and to a lower extent, the additional work from the Logica acquisition.

3.6.2. NSESA

Adjusted EBIT in the NSESA segment was \$17.2 million for the quarter ended December 31, 2012, an increase of \$16.8 million year-over-year, while the margin decreased from 4.3% to 3.2%. We are still at an early stage in the execution of our integration plan. We expect the margins to improve as cost synergies are realized.

3.6.3. Canada

Adjusted EBIT in the Canada segment was \$83.6 million for the quarter ended December 31, 2012, while the margin improved from 18.8% to 19.6%. The improved margin benefited from the cost reductions from the severances and real estate optimization incurred in the previous fiscal year.

3.6.4. France

Adjusted EBIT in the France segment was \$13.2 million for the quarter ended December 31, 2012, an increase of \$13.2 million year-over-year, while the margin increased from 0.1% to 4.1%. We are still at an early stage in the execution of our integration plan. We expect the margins to improve as cost synergies are realized.

3.6.5. U.K.

For the three months ended December 31, 2012, our U.K. segment adjusted EBIT was \$9.1 million, an increase of \$8.2 million year-over-year with the margin decreasing from 5.8% to 3.1%. We are still at an early stage in the execution of our integration plan. We expect the margins to improve as cost synergies are realized.

3.6.6. CEE

For the three months ended December 31, 2012, our CEE segment adjusted EBIT was \$15.1 million, an increase of \$13.1 million year-over-year with the margin decreasing from 8.7% to 5.7%. We are still at an early stage in the execution of our integration plan. We expect the margins to improve as cost synergies are realized.

3.6.7. Asia Pacific

For the three months ended December 31, 2012, our Asia Pacific segment adjusted EBIT was \$10.8 million, an increase of \$4.6 million year-over-year with the margin decreased from 18.4% to 9.2%. This increase in adjusted EBIT was due to the acquisition of Logica. The decrease in margin is due to different costing models applied to the India global delivery centre. We are still at an early stage in the execution of our integration plan. We expect the margins to improve as cost synergies are realized.

3.7. EARNINGS BEFORE INCOME TAXES

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

For the three months ended December 31,				
<i>In thousands of CAD except for percentages</i>				
	2012	% of Revenue	2011	% of Revenue
Adjusted EBIT	209,491	8.3%	139,946	13.6%
<i>Minus the following items:</i>				
Acquisition-related and integration costs	153,419	6.1%	—	0.0%
Finance costs	27,197	1.1%	5,286	0.5%
Finance income	(1,661)	(0.1%)	(457)	(0.0%)
Other income	—	0.0%	(5,646)	(0.5%)
Share of profit on joint venture	—	0.0%	(3,996)	(0.4%)
Earnings before income taxes	30,536	1.2%	144,759	14.0%

3.7.1. Acquisition-Related and Integration Costs

The \$153.4 million incurred in the quarter pertains to the transformation of Logica's operations to the CGI operating model.

3.7.2. Finance Costs

The year-over-year increase in finance costs was mainly related to the incremental interest expense from the debt used to finance the Logica acquisition.

3.7.3. Finance Income

Finance income includes interest and other investment income related to cash balances, investments, and tax assessments.

3.7.4. Other Income

On December 29, 2011, the Company sold its 49% interest in Innovapost Inc. ("Innovapost") and posted a gain of \$3.0 million that was recognized in the first quarter of fiscal 2012.

3.7.5. Share of Profit on Joint Venture

The \$4.0 million in Q1 2012 pertains to CGI's share of profit on our joint venture with Innovapost. The Company sold its 49% interest in Innovapost in the first quarter of 2012.

3.8. NET EARNINGS AND EARNINGS PER SHARE

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

For the three months ended December 31, <i>In thousands of CAD except for percentages</i>	2012	2011	Change
Earnings before income taxes	30,536	144,759	(78.9%)
Income tax expense	8,091	38,216	(78.8%)
<i>Effective tax rate</i>	26.5 %	26.4 %	
Net earnings	22,445	106,543	(78.9%)
<i>Net earnings margin</i>	0.9 %	10.3 %	
Weighted average number of shares			
Class A subordinate shares and Class B shares (basic)	306,637,866	259,293,329	18.3%
Class A subordinate shares and Class B shares (diluted)	315,061,479	268,913,505	17.2%
Earnings per share (in dollars)			
Basic EPS	\$ 0.07	\$ 0.41	(82.9%)
Diluted EPS	\$ 0.07	\$ 0.40	(82.5%)

3.8.1. Income Tax Expense

For Q1 2013, income tax expense was \$8.1 million, a decrease of \$30.1 million compared to \$38.2 million in Q1 2012, while our effective income tax rate remained relatively stable at 26.5%. The decrease in income tax expense was due to the lower earnings.

Based on enacted rates and our current business mix, we expect our effective tax rate before integration costs and any significant adjustments to be in the range of 24% to 27% in subsequent periods.

3.8.2. Weighted Average Number of Shares

CGI's basic and diluted weighted average number of shares for Q1 2013 increased compared to Q1 2012 due to the issuance of 46.7 million Class A subordinate shares to finance the acquisition of Logica. During the current quarter, 5,000 shares were repurchased, while 585,743 options were exercised.

3.8.3. Net Earnings and Earnings per Share Excluding Certain Items

Below is a table showing the year-over-year comparison excluding the acquisition-related and integration costs:

For the three months ended December 31, <i>In thousands of CAD except for percentages</i>	2012	2011	Change
Earnings before income taxes	30,536	144,759	(78.9%)
Add back:			
Acquisition-related and integration costs	153,419	—	N/A
Earnings before income taxes prior to adjustments	183,955	144,759	27.1%
Margin	7.3 %	14.0 %	
Income tax expense	8,091	38,216	(78.8%)
Add back:			
Tax deduction on acquisition-related and integration costs	38,017	—	
Income tax expense prior to adjustments	46,108	38,216	20.7%
Effective tax rate prior to adjustments	25.1 %	26.4 %	
Net earnings prior to adjustments	137,847	106,543	29.4%
Net earnings margin	5.4 %	10.3 %	
Weighted average number of shares			
Class A subordinate shares and Class B shares (basic)	306,637,866	259,293,329	18.3%
Class A subordinate shares and Class B shares (diluted)	315,061,479	268,913,505	17.2%
Earnings per share (in dollars)			
Basic EPS	\$ 0.45	\$ 0.41	9.8%
Diluted EPS	\$ 0.44	\$ 0.40	10.0%

CGI Group Inc. – Management's Discussion and Analysis for the three months ended December 31, 2012

21

4. Liquidity

4.1. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

CGI's growth is financed through a combination of our cash flow from operations, borrowing under our existing credit facilities, the issuance of long-term debt, and the issuance of equity. One of our primary financial goals is to maintain an optimal level of liquidity through the active management of our assets and liabilities as well as our cash flows.

As at December 31, 2012, cash and cash equivalents were \$147.0 million. The following table provides a summary of the generation and utilization of cash for the three months ended December 31, 2012 and 2011.

For the three months ended December 31,
In thousands of CAD

	2012	2011	Change
Cash provided by operating activities	224,530	148,714	75,816
Cash used in investing activities	(59,679)	(26,075)	(33,604)
Cash used in financing activities	(131,293)	(123,729)	(7,564)
Effect of foreign exchange rate changes on cash and cash equivalents	363	(2,224)	2,587
Net increase (decrease) in cash and cash equivalents	33,921	(3,314)	37,235

4.1.1. Cash Provided by Operating Activities

Cash provided by operating activities was \$224.5 million in the first three months of fiscal 2013, representing 8.9% of revenue. This is compared to \$148.7 million or 14.4% of revenue for the same period of the prior year. The timing of our working capital inflows and outflows will always have an impact on the cash flow from operations. As the Company draws down on the integration-related provisions, greater variability in our operating cash flow may occur as a result of the timing of these outlays.

4.1.2. Cash Used in Investing Activities

Cash used in investing activities was \$59.7 million in the first quarter of fiscal 2013, an increase of \$33.6 million, compared to the \$26.1 million used in the first quarter of fiscal 2012. The year-over-year increase was mainly the result of the Logica acquisition, resulting in the increase of investments in property, plant and equipment ("PP&E"), intangible assets and contract costs.

Cash used for the purchase of PP&E amounted to \$39.9 million during the quarter. The year-over-year increase of \$27.9 million was primarily related to the acquired Logica operations.

Investments in intangible assets amounted to \$9.9 million for the first three months of fiscal 2013, representing an increase of \$0.9 million over the \$9.0 million invested in the same quarter of the prior year. The majority of the amounts invested was on adding and updating the functionality of our business solutions, as well as various internal software applications and licenses.

Investments in contract costs amounted to \$9.2 million during the quarter, of which \$5.6 million pertains to legacy Logica contract costs capitalized. Overall, the year-over-year increase of \$1.2 million is a combination of new contract costs capitalized, partly offset by the contracts that migrated out of their transition phase.

4.1.3. Cash Used in Financing Activities

In the first three months of fiscal 2013, \$131.3 million was used by the Company for its financing activities, representing an increase of \$7.6 million from the year-ago period.

During the quarter, we made net repayments of \$118.2 million on our credit facilities and another \$11.9 million on our outstanding long-term debt. This compares to net repayments totalling \$541.4 million on our credit facilities and the drawing of the US\$475.0 million private debt placement financing with U.S. institutional investors in the first quarter of fiscal 2012.

In addition, we used \$112.5 thousand to repurchase 5,000 CGI shares on the open market under the current NCIB, while in the first quarter of fiscal 2012 the Company spent \$63.4 million to purchase 3.4 million CGI shares under the NCIB then in effect. The Company's cash management strategy is to maintain the flexibility to pay down debt and/or repurchase shares depending on economic conditions. Fewer shares were repurchased this quarter compared to the prior year's quarter as funds were allocated to reduce the debt taken on to acquire Logica. In addition, we received \$6.6 million in proceeds from the exercise of stock options, compared to \$12.8 million received in the first quarter of the prior year.

Lastly, during the quarter, \$7.7 million was used to purchase CGI shares under the Performance Share Unit ("PSU") Plan for fiscal 2013. In Q1 2012, a net of \$13.1 million was used to purchase shares for the PSU of fiscal 2012.

4.1.4. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents

For Q1 2013 and Q1 2012, the foreign exchange effect was negligible. These amounts had no effect on net earnings as they were recorded in other comprehensive income.

4.2. CAPITAL RESOURCES

<i>In thousands of CAD</i>	<u>Total commitment</u>	<u>Available at December 31, 2012</u>	<u>Outstanding at December 31, 2012</u>
Cash and cash equivalents	—	147,024	—
Short-term investments	—	14,554	—
Long-term marketable investments	—	14,978	—
Unsecured committed revolving facilities ¹	1,500,000	895,146	604,854
Total	1,500,000	1,071,702	604,854

¹ Consists of drawn portion of \$581.0 million and Letters of Credit for \$23.9 million outstanding on December 31, 2012.

Our cash position and bank lines are sufficient to support our growth strategy. At December 31, 2012, cash and cash equivalents, short-term and long-term marketable investments represented \$176.6 million.

Cash equivalents typically include term deposits, all with initial maturities of 90 days or less. Short-term investments include term deposits, municipal, provincial and government bills with initial maturities ranging from 91 days to 1 year. Long-term marketable investments include corporate and government bonds with maturities ranging from one to five years, rated AA- or higher.

The amount of capital available was \$1.1 billion. The long-term debt agreements contain covenants which require us to maintain certain financial ratios. At December 31, 2012, CGI was in compliance with these covenants.

Total debt decreased by \$107.1 million to \$3,141.3 million at December 31, 2012, compared to \$3,248.4 million at September 30, 2012. The variation was mainly due to the net reimbursement of \$118.2 million under the credit facility.

The Company expects that cash generated from the combined operations will permit deleveraging over the next three years and that funds generated will be adequate to meet our business needs in the foreseeable future while maintaining adequate levels of liquidity.

4.3. CONTRACTUAL OBLIGATIONS

We are committed under the terms of contractual obligations with various expiration dates, primarily for the rental of premises, computer equipment used in outsourcing contracts and long-term service agreements. There have been no material changes to these obligations since our year ended September 30, 2012.

4.4. FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

We use various financial instruments to manage its exposure to fluctuations of foreign currency exchange rates. We do not hold or use any derivative instruments for trading purposes. Foreign exchange translation gains or losses on the net investments and the effective portions of gains or losses on instruments hedging the net investments are recorded in the consolidated statement of comprehensive income. Any realized or unrealized gains or losses on instruments covering the U.S. denominated debt are also recognized in the consolidated statement of comprehensive income.

There have been no material changes in our outstanding hedging instruments since our year ended September 30, 2012. Please refer to Note 31 of the audited consolidated financial statements for the year ended September 30, 2012 for a detail summary of our outstanding hedging instruments.

4.5. SELECTED MEASURES OF LIQUIDITY AND CAPITAL RESOURCES

For the three months ended December 31,

	<u>2012</u>	<u>2011</u>
Net debt to capitalization ratio	44.7%	26.6%
Net debt (<i>in thousands of CAD</i>)	2,964,740	879,523
Return on equity	1.7%	18.4%
Return on invested capital	10.9%	12.8%
Days sales outstanding (<i>in days</i>)	49	51

We use the net debt to capitalization ratio as an indication of our financial leverage in order to pursue any large outsourcing contracts, expand global delivery centres, or make acquisitions. On August 20, 2012, we acquired Logica using a combination of debt and stock, causing our net debt to capitalization ratio to increase significantly.

Return on equity is a measure of the return we are generating for our shareholders. ROE decreased from 18.4% in Q1 2012 to 1.7% at the end of the current quarter. The decrease was mainly due to the impact of the acquisition-related and integration costs on our earnings over the last three quarters. The decrease in our ROE was also attributable to the higher amount of average equity resulting from the issuance of \$1.0 billion worth of Class A shares in connection with the financing of the Logica acquisition in the fourth quarter of 2012.

ROIC is a measure of the Company's efficiency in allocating the capital under our control to profitable investments. The return on invested capital was 10.9% as at December 31, 2012, a decrease compared to 12.8% a year ago. The decrease in this ratio was mainly a result of the issuance of 46.7 million of Class A shares for \$1.0 billion and the term loan of \$1,933.9 million, both used to finance the Logica acquisition in the fourth quarter of 2012.

DSO decreased from 51 days in the first quarter of 2012 to 49 days in the current quarter. In calculating the DSO, we subtract the deferred revenue balance from trade accounts receivable and work in progress; for that reason, the timing of payments received from outsourcing clients in advance of the work to be performed and the timing of payments related to project milestones can affect the DSO fluctuations. The sequential improvement in the DSO from 77 days is due to having a full quarter of revenue from the ex-Logica operations, as well as the impact of the traditional ex-Logica push for cash collections at the end of the calendar year. The DSO will tend to trend up over the next periods as the end-of-year affect will have passed and the new cash management practices are being implemented. We remain committed to manage our DSO within our 45-day target.

4.6. OFF-BALANCE SHEET FINANCING AND GUARANTEES

We do not engage in the practice of off-balance sheet financing, except for the use of certain operating leases for office space, computer equipment and vehicles. In accordance with IFRS, neither the lease liability nor the underlying asset is carried on the balance sheet as the terms of the leases do not meet the criteria for capitalization. From time to time, we also enter into agreements to provide financial or performance assurances to third parties on the sale of assets, business divestitures, guarantees and U.S. Government contracts.

In connection with sales of assets and business divestitures, we may be required to pay counterparties for costs and losses incurred as the result of breaches in representations and warranties, intellectual property right infringement and litigation against counterparties. While some of the agreements specify a maximum potential exposure totalling approximately \$3.1 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 amount of the bid bonds if we refuse to perform the project once the bid is awarded. We would also be liable for the performance bonds in the event of default in the performance of our obligations. As at December 31, 2012, we had committed for a total of \$49.2 million for these bonds. To the best of our knowledge, we complied with our performance obligations under all service contracts for which there was a performance or bid bond, and the ultimate liability, if any, incurred in connection with these guarantees would not have a material adverse effect on our consolidated results of operations or financial condition.

In addition, we provided a guarantee of \$5.9 million on the residual value of leased equipment, accounted for as an operating lease, at the expiration of the lease term.

4.7. CAPABILITY TO DELIVER RESULTS

Sufficient capital resources and liquidity are required for supporting ongoing business operations and to execute our build and buy growth strategy. The Company has sufficient capital resources coming from the cash generated from operations, credit facilities, long-term debt agreements and invested capital from shareholders. Our principal uses of cash are for procuring new large outsourcing and managed services contracts; investing in our business solutions; pursuing accretive acquisitions; buying back CGI shares and paying down debt. Funds were also used to expand our global delivery network as more and more of our clients demand lower cost alternatives. In terms of financing, we are well positioned to continue executing our four-pillar growth strategy in fiscal 2013.

Strong and experienced leadership is essential to successfully implement our corporate strategy. CGI has a strong leadership team with members who are highly knowledgeable and have gained a significant amount of experience within the IT industry via various career paths and leadership roles. CGI fosters leadership development to ensure a continuous flow of knowledge and strength is maintained throughout the organization. As part of our succession planning in key positions, we established the Leadership Institute, our own corporate university, to develop leadership, technical and managerial skills inspired by CGI's roots and traditions.

As a company built on human capital, our professionals and their knowledge are critical to delivering quality service to our clients. Our human resources program provides competitive compensation and benefits, a favourable working environment, and our training and career development programs combine to allow us to attract and retain the best talent.

Employee satisfaction is monitored regularly through a company-wide survey and issues are addressed immediately. Excluding the employees who recently joined CGI from Logica, approximately 85% of our employees, whom we refer to as members, were also owners of CGI through our Share Purchase Plan. This, along with the Profit Participation Program, allows members to share in the success of the Company and aligns member objectives with our strategic goals.

In addition to our capital resources and the talent of our human capital, CGI has established a Management Foundation encompassing governance policies, sophisticated management frameworks and an organizational model for its business unit and corporate processes. This foundation, along with our appropriate internal systems, helps in providing for a consistent high standard of quality service to our clients. CGI's operations maintain appropriate certifications in accordance with service requirements such as the ISO and Capability Maturity Model Integration quality programs.

5. Changes in Accounting Standards

The condensed consolidated financial statements for the three months ended December 31, 2012 and 2011 include all adjustments that CGI's management considers necessary for the fair presentation of its financial position, results of operations, and cash flows.

There have been no changes to our accounting policies since our year ended September 30, 2012. Please refer to Note 3 of the audited consolidated financial statements for the year ended September 30, 2012 for a detail summary of our significant accounting policies as well as future accounting standard changes.

6. Critical Accounting Estimates

The Company's significant accounting policies are described in Note 3 of the audited consolidated financial statements for the year ended September 30, 2012. The preparation of the consolidated financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and equity and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Because of the use of estimates and judgements inherent in the financial reporting process, actual results could differ.

An accounting estimate is considered critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the estimate was made, if different estimates could reasonably have been used in the period, or changes in the accounting estimates that are reasonably likely to occur, could have a material impact on the presentation of our financial condition, changes in financial condition or results of operations.

<u>Areas impacted by estimates</u>	<u>Consolidated balance sheets</u>	<u>Consolidated statements of earnings</u>		
		<u>Revenue</u>	<u>Cost of services, selling and administrative</u>	<u>Income taxes</u>
Business combinations	✓		✓	
Income taxes	✓			✓
Contingencies and provisions	✓		✓	
Revenue recognition ¹	✓	✓	✓	
Share-based payments	✓		✓	
Investment tax credits and other government programs	✓		✓	
Impairment of PP&E, intangible assets and goodwill	✓		✓	
Employee benefits	✓		✓	

¹ Affects the balance sheet through accounts receivable, work in progress and deferred revenue.

Business combinations

The Company accounts for its business combinations using the acquisition method. Under this method, estimates we make to determine the fair values of asset and liabilities acquired include judgements in our determinations of acquired intangible assets and assessment of the fair value of existing PP&E. Acquired liabilities can include litigation and other contingency reserves existing at the time of the acquisition. Goodwill is recognized as of the acquisition date as the excess of the cost of the acquisition over the net identifiable assets acquired and liabilities assumed at their acquisition-date fair values.

When establishing fair values, management will make significant estimates and assumptions, especially with respect to intangible assets. Intangible assets acquired and recorded by the Company may include client relationships and contracts, software licenses, trademarks and business solutions. Estimates include but are not limited to the forecasting of future cash flows and discount rates. From time to time, the Company may engage third-party firms to assist us in determining the fair value of assets and liabilities assumed. Management's estimates of fair values are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. As a result, actual results may differ from estimates impacting our earnings.

Income taxes

Current income taxes are recognized with respect to the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets and liabilities are determined using enacted or substantively enacted tax rates that will be in effect for the year in which the differences are expected to be recovered or settled.

In the course of the Company's operations, uncertainties exist with respect to interpretation of complex tax regulations, the amount and timing of future taxable income. When a tax position is uncertain, the Company recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

The ultimate amount of future income taxes and income tax provision could be materially different from those recorded, as it is influenced by future operating results of the Company and its tax interpretations.

Contingencies and provisions

The Company accrues for costs and provisions requiring significant judgment.

Contingencies for pending or threatened litigation, guarantees and other possible liabilities involve uncertainty relating to possible gain or loss to the Company that will ultimately be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm the reduction of a liability or the occurrence of a liability. The accrued legal claim provisions are based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances.

Furthermore, there are various claims and pending actions against the Company arising in the ordinary course of its business as well as inherited from business acquisitions. Certain of these actions seek damages in significant amounts. Among other things, the Company considers the period in which the underlying cause of the claim occurred, the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the loss to determine whether a loss accrual or disclosure in the condensed consolidated financial statements is required.

The Company accrues lease provisions which consist of estimated costs associated with vacated premises. The provisions reflect the present value of lease payments in excess of the expected sublease proceeds on the remaining term of the lease. Key assumptions include the discount rate and the estimate of potential revenues from the subleasing of vacated premises.

Revenue recognition

CGI provides services and products containing pricing mechanisms such as fixed-price arrangements under percentage-of-completion which requires estimates of revenue and costs over the entire arrangement, including estimates of resources and costs necessary to complete performance.

Another assessment, related to a contract which involves the provision of multiple services and products, is to determine how the estimated contract revenue is allocated to each separately identifiable component based on their fair value. Revenue is then recognized for each separately identifiable component as services and products are delivered.

Revenue from benefits-funded arrangements is recognized only to the extent that it is probable that the benefit stream associated with the transaction will generate amounts sufficient to fund the value on which revenue recognition is based.

Management regularly reviews arrangement profitability and the underlying estimates. Estimates of total revenue at the start of the contract may differ materially from actual revenue generated due to volume variations, changes in technology and other factors which may not be foreseen at inception. Provisions for estimated contract losses are recognized in the period when it is determined that a loss is probable and is presented in other long-term liabilities. Contract losses are measured at the amount by which the estimated total costs exceed the estimated total revenue from the contract.

Share-based payments

The Company operates equity-settled stock option and PSU plans under which the Company receives services from employees and others as consideration for equity instruments. The fair value of the stock options is established on the grant date using the Black-Scholes pricing model. The variables in the model include, but are not limited to: the expected stock price volatility over the term of the awards, expected forfeitures, the expected life of the options and the risk-free interest rate. Different assumptions and changes in circumstances could create material differences in our results of operations.

Investment tax credits and other government programs

The Company receives refundable tax credits on salaries and tax credits on research and software development costs, which meet the criteria of investment tax credits and government programs. The Company is subject to annual audits to

verify the amount for which it is entitled and whether it operates eligible activities under the terms of various government tax credit programs. Assessments of the proportion of eligible expenses and of the acceptability rate by these different governments are performed periodically.

Impairment of PP&E, intangible assets and goodwill

The Company tests the recoverability of PP&E, intangible assets and goodwill when events or changes in circumstances indicate that their carrying amounts may not be recoverable. The Company assesses at each reporting date whether any such events or changes in circumstances exist. The carrying amount of PP&E and intangible assets not available for use and goodwill are tested for impairment annually.

If there is any indication that impairment exists or when annual impairment for an asset is required, the Company estimates the recoverable amount of the asset or cash-generating unit ("CGU") to which the asset relates to determine the extent of any impairment loss. The CGU for which goodwill is assessed for potential impairment is the operating segment level.

The Company uses the discounted cash flow method to estimate the recoverable amount which relies on the use of estimates such as the amount and timing of cash flows that are projected over the expected remaining life of the asset and the time value of money. Any change in the estimates used could have a material impact on the calculation of fair value and the resulting impairment charge.

An impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its recoverable amount.

Additionally, an assessment is made at each reporting date for PP&E and intangible assets as to whether there is any indication that previously recorded impairment losses may no longer exist or may have decreased and therefore must be reversed. If such an indication exists, the Company estimates the asset's recoverable amount using the discounted cash flow method.

Employee benefits

The present value of the retirement benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the expense for pension include the discount rate, expected long-term rate of return on plan assets, compensation and benefits increases, inflation rates as well as mortality rates.

The Company determines the appropriate discount rate at the end of each quarter. This is the interest rate that should be used to determine the present value of the expected future benefit payments and represent the market rates for high quality corporate fixed-income investments consistent with the currency and the estimated term of the retirement benefits obligations. A lower discount rate increases the benefit obligation and generally increases the expense. Other key assumptions for pension benefits are based in part on current market conditions. Additional information is disclosed in Note 29 to the audited consolidated financial statements for the fiscal year ended September 30, 2012.

7. 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.

As reported in our 2012 Annual Report, the Company evaluated the effectiveness of its disclosure controls and procedures and internal controls over financial reporting, supervised by and with the participation of the Chief Executive Officer and the Chief Financial Officer as of September 30, 2012. The CEO and CFO concluded that, based on this evaluation, the Company's disclosure controls and procedures and internal controls over financial reporting were adequate and effective, at a reasonable level of assurance, to ensure that material information related to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

Management's assessment and conclusion on the effectiveness of internal controls over financial reporting and disclosure controls and procedures, excluded the controls, policies and procedures of Logica which was acquired six weeks prior to CGI's fiscal year-end. Our assessment which was performed at the fiscal 2012 year-end was limited to the internal controls over the inclusion of its financial position and results in our consolidated financial statements. The exclusion was due to the short time frame between the consummation date of the acquisition and the date of management's assessment. The internal controls over financial reporting and disclosure controls and procedures of Logica have since been included in the Company's scope and will be evaluated for their effectiveness at the year-end of fiscal 2013.

For the quarter ending December 31, 2012, there was no change in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect the Company's internal controls over financial reporting.

8. Risk Environment

8.1. RISKS AND UNCERTAINTIES

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

8.1.1. Risks Related to the Market

Economic risk

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

8.1.2. Risks Related to our Industry

The competition for contracts

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

The availability and retention of qualified IT professionals

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

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.

8.1.3. Risks Related to our Business

Risks associated with our growth strategy

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

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

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

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

The variability of financial results

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

Business mix variations

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

The financial and operational risks inherent in worldwide operations

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

Organizational challenges associated with our size

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

Taxes

In estimating our income tax payable, management uses accounting principles to determine income tax positions that are likely to be sustained by applicable tax authorities. However, there is no assurance that our tax benefits or tax liability will not materially differ from our estimates or expectations. The tax legislation, regulation and interpretation that apply to our operations are continually changing. In addition, future tax benefits and liabilities are dependent on factors that are inherently uncertain and subject to change, including future earnings, future tax rates, and anticipated business mix in the various jurisdictions in which we operate. Moreover, our tax returns are continually subject to review by applicable tax authorities; it is these tax authorities that will make the final determination of the actual amounts of taxes payable or receivable, of any future tax benefits or liabilities and of income tax expense that we may ultimately recognize. Any of the above factors could have a material adverse effect on our net income or cash flows by affecting our operations and profitability, the availability of tax credits, the cost of the services we provide, and the availability of deductions for operating losses as we develop our international service delivery capabilities.

Credit risk with respect to accounts receivable

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

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

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

Early termination risk

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

Cost estimation risks

In order to generate acceptable margins, our pricing for services is dependent on our ability to accurately estimate the costs and timing for completing projects or long-term outsourcing contracts. In addition, a significant portion of our project-oriented contracts are performed on a fixed-price basis. Billing for fixed-price engagements is carried out in accordance with the contract terms agreed upon with our client, and revenue is recognized based on the percentage of effort incurred to date in relation to the total estimated costs to be incurred over the duration of the respective contract. These estimates reflect our best judgment regarding the efficiencies of our methodologies and professionals as we plan to apply them to the contracts in accordance with the CGI Client Partnership Management Framework (“CPMF”), a process framework which helps ensure that all contracts are managed according to the same high standards throughout the organization. If we fail to apply the CPMF correctly or if we are unsuccessful in accurately estimating the time or resources required to fulfil our obligations under a contract, or if unexpected factors, including those outside of our control, arise, there may be an impact on costs or the delivery schedule which could have an adverse impact on our expected profit margins.

Risks related to teaming agreements and subcontracts

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

Our partners’ ability to deliver on their commitments

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

Guarantees risk

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

Risk related to human resources utilization rates

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

Client concentration risk

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

Government business risk

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

Regulatory risk

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

Our business with the 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.

Risk of harm to our reputation

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

Risks associated with the integration of new operations

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

Liquidity and funding risks

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

Foreign exchange risk

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

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

8.2. LEGAL PROCEEDINGS

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

Transfer Agent

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EX-99.2 3 d467168dex992.htm EXHIBIT 99.2

Exhibit 99.2

Condensed Consolidated Financial Statements of

CGI GROUP INC.

For the three months ended December 31, 2012 and 2011
(unaudited)

Condensed Consolidated Statements of Earnings

For the three months ended December 31

(in thousands of Canadian dollars, except share data) (unaudited)

	<u>2012</u>	<u>2011</u>
	\$	\$
Revenue	<u>2,532,929</u>	<u>1,032,139</u>
Operating expenses		
Costs of services, selling and administrative	2,320,922	893,298
Acquisition-related and integration costs	153,419	—
Finance costs	27,197	5,286
Finance income	(1,661)	(457)
Other income	—	(5,646)
Foreign exchange loss (gain)	2,516	(1,105)
Share of profit on joint venture	—	(3,996)
	<u>2,502,393</u>	<u>887,380</u>
Earnings before income taxes	30,536	144,759
Income tax expense	8,091	38,216
Net earnings	<u>22,445</u>	<u>106,543</u>
Earnings per share (Note 5C))		
Basic earnings per share	0.07	0.41
Diluted earnings per share	<u>0.07</u>	<u>0.40</u>

CGI Group Inc. – Condensed Consolidated Financial Statements for the three months ended December 31, 2012 and 2011

1

Condensed Consolidated Statements of Comprehensive Income

For the three months ended December 31

(in thousands of Canadian dollars) (unaudited)

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
Net earnings	<u>22,445</u>	<u>106,543</u>
Net unrealized gains (losses) on translating financial statements of foreign operations (net of income taxes)	112,156	(46,045)
Net unrealized (losses) gains on derivative financial instruments and on translating long-term debt designated as hedges of net investments in foreign operations (net of income taxes)	(52,213)	15,814
Net unrealized losses on cash flow hedges (net of income taxes)	(267)	(9,919)
Net unrealized actuarial losses (net of income taxes)	(10,535)	—
Net unrealized losses on investments available for sale (net of income taxes)	(122)	(513)
Other comprehensive income (loss)	<u>49,019</u>	<u>(40,663)</u>
Comprehensive income	<u>71,464</u>	<u>65,880</u>

CGI Group Inc. – Condensed Consolidated Financial Statements for the three months ended December 31, 2012 and 2011

2

Condensed Consolidated Balance Sheets
(in thousands of Canadian dollars) (unaudited)

	As at December 31, 2012 \$	As at September 30, 2012 \$
Assets		
Current assets		
Cash and cash equivalents (Note 3)	147,024	113,103
Short-term investments	14,554	14,459
Accounts receivable	1,589,031	1,446,149
Work in progress	615,536	744,482
Prepaid expenses and other current assets	279,725	244,805
Income taxes	6,686	24,650
Total current assets before funds held for clients	2,652,556	2,587,648
Funds held for clients	303,723	202,407
Total current assets	2,956,279	2,790,055
Property, plant and equipment	489,945	500,995
Contract costs	161,619	167,742
Intangible assets	836,682	858,892
Other long-term assets	96,373	96,351
Deferred tax assets	243,332	219,590
Goodwill	5,933,441	5,819,817
	<u>10,717,671</u>	<u>10,453,442</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,296,441	1,156,737
Accrued compensation	490,577	539,779
Deferred revenue	469,401	443,596
Income taxes	164,556	177,030
Provisions (Note 4)	243,843	160,625
Current portion of long-term debt	55,855	52,347
Total current liabilities before clients' funds obligations	2,720,673	2,530,114
Clients' funds obligations	299,572	197,986
Total current liabilities	3,020,245	2,728,100
Deferred tax liabilities	177,763	171,130
Long-term provisions (Note 4)	217,757	216,507
Long-term debt	3,085,441	3,196,061
Retirement benefits obligations	133,107	118,078
Other long-term liabilities	589,146	601,232
	<u>7,223,459</u>	<u>7,031,108</u>
Equity		
Retained earnings	1,135,593	1,113,225
Accumulated other comprehensive income (loss) (Note 6)	48,744	(275)
Capital stock (Note 5A))	2,203,111	2,201,694
Contributed surplus	106,764	107,690
	<u>3,494,212</u>	<u>3,422,334</u>
	<u>10,717,671</u>	<u>10,453,442</u>

Condensed Consolidated Statements of Changes in Equity

For the three months ended December 31

(in thousands of Canadian dollars) (unaudited)

	Retained earnings	Accumulated other comprehensive (loss) income	Capital stock	Contributed surplus	Total equity
	\$	\$	\$	\$	\$
Balance as at September 30, 2012	1,113,225	(275)	2,201,694	107,690	3,422,334
Net earnings for the period	22,445	—	—	—	22,445
Other comprehensive income for the period	—	49,019	—	—	49,019
	<u>1,135,670</u>	<u>48,744</u>	<u>2,201,694</u>	<u>107,690</u>	<u>3,493,798</u>
Share-based payment costs	—	—	—	6,960	6,960
Income tax impact associated with stock options	—	—	—	(5,811)	(5,811)
Exercise of stock options (Note 5A)	—	—	9,115	(2,075)	7,040
Repurchase of Class A subordinate shares (Note 5A)	(77)	—	(35)	—	(112)
Purchase of Class A subordinate shares held in trust (Note 5A)	—	—	(7,663)	—	(7,663)
Balance as at December 31, 2012	<u>1,135,593</u>	<u>48,744</u>	<u>2,203,111</u>	<u>106,764</u>	<u>3,494,212</u>
	Retained earnings	Accumulated other comprehensive (loss) income	Capital stock	Contributed surplus	Total equity
	\$	\$	\$	\$	\$
Balance as at September 30, 2011	1,057,599	14,572	1,178,559	98,501	2,349,231
Net earnings for the period	106,543	—	—	—	106,543
Other comprehensive loss for the period	—	(40,663)	—	—	(40,663)
	<u>1,164,142</u>	<u>(26,091)</u>	<u>1,178,559</u>	<u>98,501</u>	<u>2,415,111</u>
Share-based payment costs	—	—	—	2,492	2,492
Income tax impact associated with stock options	—	—	—	(431)	(431)
Exercise of stock options	—	—	16,536	(3,941)	12,595
Repurchase of Class A subordinate shares	(46,621)	—	(16,796)	—	(63,417)
Purchase of Class A subordinate shares held in trust	—	—	(14,252)	—	(14,252)
Sale of Class A subordinate shares held in trust	—	—	1,118	53	1,171
Balance as at December 31, 2011	<u>1,117,521</u>	<u>(26,091)</u>	<u>1,165,165</u>	<u>96,674</u>	<u>2,353,269</u>

CGI Group Inc. – Condensed Consolidated Financial Statements for the three months ended December 31, 2012 and 2011

4

Condensed Consolidated Statements of Cash Flows

For the three months ended December 31

(tabular amounts only are in thousands of Canadian dollars) (unaudited)

	<u>2012</u>	<u>2011</u>
	\$	\$
Operating activities		
Net earnings	22,445	106,543
Adjustments for:		
Amortization and depreciation	114,008	50,348
Deferred income taxes	(17,682)	6,520
Foreign exchange loss	707	203
Share-based payment costs	6,960	2,492
Gain on sale of investment in joint venture	—	(2,981)
Share of profit on joint venture	—	(3,996)
Dividend received from joint venture	—	7,350
Net change in non-cash working capital items	<u>98,092</u>	<u>(17,765)</u>
Cash provided by operating activities	<u>224,530</u>	<u>148,714</u>
Investing activities		
Net change in short-term investments	(109)	2,683
Proceeds from sale of business	—	458
Purchase of property, plant and equipment	(39,857)	(11,998)
Additions to contract costs	(9,167)	(7,960)
Additions to intangible assets	(9,907)	(9,013)
Additions to other long-term assets	(1,322)	(245)
Net change in long-term investments	683	—
Cash used in investing activities	<u>(59,679)</u>	<u>(26,075)</u>
Financing activities		
Net change in credit facilities	(118,214)	(541,415)
Increase of long-term debt	—	490,382
Repayment of long-term debt	(11,898)	(8,961)
Purchase of Class A subordinate shares held in trust (Note 5A))	(7,663)	(14,252)
Sale of Class A subordinate shares held in a trust	—	1,171
Repurchase of Class A subordinate shares (Note 5A))	(112)	(63,417)
Issuance of Class A subordinate shares	6,594	12,763
Cash used in financing activities	<u>(131,293)</u>	<u>(123,729)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	363	(2,224)
Net increase (decrease) in cash and cash equivalents	33,921	(3,314)
Cash and cash equivalents, beginning of period	<u>113,103</u>	<u>60,673</u>
Cash and cash equivalents, end of period (Note 3)	<u>147,024</u>	<u>57,359</u>
The following amounts are classified within operating activities:		
Interest paid	23,683	3,395
Interest received	740	518
Income taxes paid	<u>21,757</u>	<u>23,819</u>

NON-CASH TRANSACTIONS

Significant non-cash transactions consisted of property, plant and equipment and intangible asset additions for a total amount of \$7,569,000 for the three months ended December 31, 2012 (\$20,372,000 for the three months ended December 31, 2011).

Notes to the Condensed Consolidated Financial Statements

For the three months ended December 31, 2012 and 2011

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

1. Description of business

CGI Group Inc. (the “Company”), directly or through its subsidiaries, manages information technology services (“IT services”) as well as business process services (“BPS”) to help clients effectively realize their strategies and create added value. The Company’s services include the management of IT and business processes (“outsourcing”), systems integration and consulting including the sale of software licenses. The Company was incorporated under Part IA of the Companies Act (Québec) predecessor to the Business Corporations Act (Québec) which came into force on February 14, 2011 and its shares are publicly traded. The executive and registered office of the Company is situated at 1350, René-Lévesque Blvd. West, Montréal, Québec, Canada, H3G 1T4.

2. Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”). In addition, the interim condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in Note 3, “Summary of significant accounting policies” of the Company’s consolidated financial statements for the year ended September 30, 2012, which are based on IFRS and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations. The accounting policies were consistently applied to all periods presented.

These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended September 30, 2012.

The Company’s unaudited interim condensed consolidated financial statements for the three months ended December 31, 2012 and 2011 were authorized for issue by the Board of Directors on January 30, 2013.

3. Cash and cash equivalents

	As at <u>December 31, 2012</u>	As at <u>September 30, 2012</u>
	\$	\$
Cash	130,149	86,060
Cash equivalents	16,875	27,043
Cash and cash equivalents	<u>147,024</u>	<u>113,103</u>

CGI Group Inc. – Condensed Consolidated Financial Statements for the three months ended December 31, 2012 and 2011

6

Notes to the Condensed Consolidated Financial Statements

For the three months ended December 31, 2012 and 2011

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

4. Provisions

The Company's provisions consist of liabilities for leases of premises that the Company has vacated, litigation and claim provisions arising in the ordinary course of business, decommissioning liabilities for operating leases of office buildings where certain arrangements require premises to be returned to their original state at the end of the term and restructuring provisions.

During the three months ended December 31, 2012, an amount of approximately \$136,000,000 for integration costs, partially offset by payments, was accounted for in provisions which is mainly due to the termination of employees to transform the operations of Logica plc ("Logica") to the Company's operating model.

5. Capital stock, share-based payments and earnings per share

A) CAPITAL STOCK

	Class A subordinate shares		Class B shares		Total	
	Number	Carrying value \$	Number	Carrying value \$	Number	Carrying value \$
Balance as at September 30, 2012	273,771,106	2,154,807	33,608,159	46,887	307,379,265	2,201,694
Repurchased and cancelled ¹	(5,000)	(35)	—	—	(5,000)	(35)
Issued upon exercise of stock options ²	585,743	9,115	—	—	585,743	9,115
Purchased and held in trust ³	—	(7,663)	—	—	—	(7,663)
Balance as at December 31, 2012	274,351,849	2,156,224	33,608,159	46,887	307,960,008	2,203,111

¹ On February 1, 2012, the Company's Board of Directors authorized the renewal of a Normal Course Issuer Bid ("NCIB") for the purchase of up to 22,064,163 Class A subordinate shares for cancellation on the open market through the Toronto Stock Exchange. The Class A subordinate shares were available for purchase commencing February 9, 2012, until no later than February 8, 2013, or on such earlier date when the Company completes its purchases or elects to terminate the bid. During the three months ended December 31, 2012, the Company repurchased 5,000 Class A subordinate shares for cash consideration of \$112,000. The excess of the purchase price over the carrying value, in the amount of \$77,000 was charged to retained earnings.

² The carrying value of Class A subordinate shares includes \$2,075,000 which corresponds to a reduction in contributed surplus representing the value of accumulated compensation costs associated with the stock options exercised during the period.

³ The trustee, in accordance with the terms of the PSU plan and a Trust Agreement, purchased 336,849 Class A subordinate shares of the Company on the open market for \$7,663,000 during the three months ended December 31, 2012. As at December 31, 2012, 1,200,715 Class A subordinate shares were held in trust under the PSU plan (Note 5B)).

Notes to the Condensed Consolidated Financial Statements

For the three months ended December 31, 2012 and 2011

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

5. Capital stock, share-based payments and earnings per share (continued)**B) SHARE-BASED PAYMENTS****i) Stock options**

Under the Company's stock option plan, the Board of Directors may grant, at its discretion, stock options to purchase Class A subordinate shares to certain employees, officers, directors and consultants of the Company and its subsidiaries. The exercise price is established by the Board of Directors and is equal to the closing price of the Class A subordinate shares on the TSX on the day preceding the date of the grant. Stock options generally vest over four years from the date of grant conditionally upon achievement of objectives and must be exercised within a ten-year period, except in the event of retirement, termination of employment or death.

The following table presents information concerning all outstanding stock options granted by the Company:

	<u>Number of stock options</u>
Outstanding as at September 30, 2012	18,617,230
Granted	4,814,947
Exercised	(585,743)
Forfeited	(1,536,756)
Outstanding, as at December 31, 2012	<u>21,309,678</u>

The fair value of stock options granted in the period and the assumptions used in the calculation of their fair value on the date of grant using the Black-Scholes option pricing model were as follows:

	<u>For the three months ended December 31</u>	
	<u>2012</u>	<u>2011</u>
Weighted average assumptions		
Grant date fair value (\$)	4.94	5.23
Dividend yield (%)	0.00	0.00
Expected volatility (%) ¹	23.79	27.15
Risk-free interest rate (%)	1.25	1.38
Expected life (years)	4.00	5.00
Exercise price (\$)	23.65	19.71
Share price (\$)	23.65	19.71

¹ Expected volatility was determined using statistical formulas and based on the weekly historical average of closing daily share prices over the period of the expected life of stock option.

Notes to the Condensed Consolidated Financial Statements

For the three months ended December 31, 2012 and 2011

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

5. Capital stock, share-based payments and earnings per share (continued)**B) SHARE-BASED PAYMENTS (CONTINUED)****ii) Performance share units**

Under the PSU plan, the Board of Directors may grant PSUs to senior executives and other key employees ("participants") which entitle them to receive one Class A subordinate share for each PSU. The vesting performance conditions are determined by the Board of Directors at the time of each grant. PSUs expire on December 31 of the third calendar year following the end of the fiscal year during which the PSU award is made, except in the event of retirement, termination of employment or death. Granted PSUs vest annually over a period of four years from the date of grant conditionally upon achievement of objectives.

Class A subordinate shares purchased in connection with the PSU plan are held in trust for the benefit of the participants. The trust, considered as a special purpose entity, is consolidated in the Company's consolidated financial statements with the cost of the purchased shares recorded as a reduction of capital stock (Note 5A)).

The following table presents information concerning the number of outstanding PSUs granted by the Company:

Outstanding as at September 30, 2012	863,866
Granted ¹	336,849
Outstanding as at December 31, 2012	<u>1,200,715</u>

¹ The PSUs granted in the period had a grant date fair value of \$23.65 per unit.

C) EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the three months ended December 31:

	2012			2011		
	Net earnings	Weighted average number of shares outstanding ¹	Earnings per share	Net earnings	Weighted average number of shares outstanding ¹	Earnings per share
	\$		\$	\$		\$
Basic	22,445	306,637,866	0.07	106,543	259,293,329	0.41
Net effect of dilutive stock options and PSUs ²		8,423,613			9,620,176	
	<u>22,445</u>	<u>315,061,479</u>	<u>0.07</u>	<u>106,543</u>	<u>268,913,505</u>	<u>0.40</u>

¹ The 5,000 Class A subordinate shares repurchased and 1,200,715 Class A subordinate shares held in trust during the three months ended December 31, 2012 (3,360,800 and 863,866, respectively, during the three months ended December 31, 2011), were excluded from the calculation of weighted average number of shares outstanding as of the date of transaction.

² The calculation of the diluted earnings per share excluded 4,809,947 stock options for the three months ended December 31, 2012 (2,510,560 for the three months ended December 31, 2011), as they were anti-dilutive.

Notes to the Condensed Consolidated Financial Statements

For the three months ended December 31, 2012 and 2011

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

6. Accumulated other comprehensive income (loss)

	As at <u>December 31, 2012</u> \$	As at <u>September 30, 2012</u> \$
Net unrealized gains (losses) on translating financial statements of foreign operations (net of accumulated income tax expense of \$8,508 as at December 31, 2012 and \$330 as at September 30, 2012)	104,236	(7,920)
Net unrealized (losses) gains on derivative financial instruments and on translating long-term debt designated as hedges of net investments in foreign operations (net of accumulated income tax recovery of \$7,288 as at December 31, 2012 and net of accumulated income tax expense of \$959 as at September 30, 2012)	(46,142)	6,071
Net unrealized losses on cash flow hedges (net of accumulated income tax recovery of \$3,363 as at December 31, 2012 and net of income tax recovery of \$3,302 as at September 30, 2012)	(6,610)	(6,343)
Net unrealized actuarial gains (net of income tax recovery of \$1,675 as at December 31, 2012 and net of income tax expense of \$1,961 as at September 30, 2012)	(5,957)	4,578
Net unrealized gains on investments available for sale (net of accumulated income tax expense of \$1,232 as at December 31, 2012 and \$1,276 as at September 30, 2012)	<u>3,217</u>	<u>3,339</u>
	<u>48,744</u>	<u>(275)</u>

For the three months ended December 31, 2012, \$436,000 of the net unrealized gains previously recognized in other comprehensive income (loss) (net of income taxes recovery of \$24,000) were reclassified to net earnings for derivatives designated as cash flow hedges.

Notes to the Condensed Consolidated Financial Statements

For the three months ended December 31, 2012 and 2011

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

7. Investments in subsidiaries**a) Preliminary purchase price allocation**

The preliminary purchase price allocation shown below relates to the acquisition of Logica on August 20, 2012. No modifications were made to the preliminary purchase price allocation and goodwill has not yet been allocated to the cash-generating units. The final purchase price allocation is expected to be completed as soon as management has gathered all of the significant information available and considered necessary in order to finalize this allocation.

	<u>Logica</u>
	<u>\$</u>
Assets	
Current assets	1,374,838
Property, plant and equipment	250,808
Contract costs	71,697
Intangible assets	603,683
Other long-term assets	87,789
Deferred tax assets	197,210
Goodwill	<u>3,276,172</u>
	<u>5,862,197</u>
Liabilities	
Current liabilities	(1,546,273)
Debt	(808,775)
Deferred tax liabilities	(43,616)
Long-term provisions	(182,880)
Retirement benefits obligations	(113,526)
Other long-term liabilities	<u>(426,864)</u>
	<u>(3,121,934)</u>
Bank overdraft assumed, net	<u>(57,883)</u>
Net assets acquired	<u>2,682,380</u>
Cash consideration	2,676,912
Consideration payable	<u>5,468</u>

Notes to the Condensed Consolidated Financial Statements

For the three months ended December 31, 2012 and 2011

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

8. Segmented information

In the prior year, management regularly reviewed the Company's operating results through five operating segments, namely: U.S., Canada, GIS, Europe & Asia Pacific and Logica. Effective October 1, 2012, as a result of changes to the management reporting structure, the Company is now managed through seven operating segments, namely: United States of America ("U.S."); Nordics, Southern Europe and South America ("NSES"); Canada; France (including Luxembourg and Morocco); United Kingdom ("U.K."); Central and Eastern Europe (including Netherlands, Germany and Belgium) ("CEE"); and Asia Pacific (including Australia, India, Philippines and the Middle East) which are based on its geographic delivery model.

The following presents information on the Company's operations based on its current management structure effective October 1, 2012. The Company has retrospectively revised the segmented information for the comparative periods to conform to the new segmented information structure.

For the three months ended December 31, 2012	U.S.	NSES	Canada	France	U.K.	CEE	Asia Pacific	Total
Segment revenue	<u>577,328</u>	<u>533,651</u>	<u>427,704</u>	<u>321,440</u>	<u>292,909</u>	<u>262,696</u>	<u>117,201</u>	<u>2,532,929</u>
Earnings before acquisition-related and integration costs, finance costs, finance income and income tax expense ¹	<u>60,404</u>	<u>17,245</u>	<u>83,626</u>	<u>13,218</u>	<u>9,135</u>	<u>15,082</u>	<u>10,781</u>	<u>209,491</u>
Acquisition-related and integration costs								<u>(153,419)</u>
Finance costs								<u>(27,197)</u>
Finance income								<u>1,661</u>
Earnings before income taxes	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>30,536</u>

¹ Amortization and depreciation included in the U.S., NSES, Canada, France, U.K., CEE and Asia Pacific operating segments is \$23,022,000, \$24,115,000, \$25,733,000, \$10,313,000, \$18,005,000, \$6,092,000 and \$6,430,000 respectively, for the three months ended December 31, 2012.

Notes to the Condensed Consolidated Financial Statements

For the three months ended December 31, 2012 and 2011

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

8. Segmented information (continued)

For the three months ended December 31, 2011	U.S.	NSESA	Canada	France	U.K.	CEE	Asia Pacific	Total
Segment revenue	<u>497,259</u>	<u>9,882</u>	<u>444,983</u>	<u>8,007</u>	<u>15,923</u>	<u>22,729</u>	<u>33,356</u>	<u>1,032,139</u>
Earnings before finance costs, finance income, other income, share of profit on joint venture and income tax expense ¹	46,875	428	83,584	11	926	1,975	6,147	139,946
Finance costs								(5,286)
Finance income								457
Other income								5,646
Share of profit on joint venture								3,996
Earnings before income taxes	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>144,759</u>

¹ Amortization and depreciation included in the U.S., NSESA, Canada, France, U.K., CEE and Asia Pacific operating segments is \$22,963,000, \$108,000, \$24,358,000, \$55,000, \$993,000, \$222,000 and \$1,214,000 respectively, for the three months ended December 31, 2011.

The accounting policies of each operating segment are the same as those described in the summary of significant accounting policies (Note 3) of the Company's consolidated financial statements for the year ended September 30, 2012. Intersegment revenue is priced as if the revenue was from third parties.

CGI Group Inc. – Condensed Consolidated Financial Statements for the three months ended December 31, 2012 and 2011 13

Interim review report

To the Audit and Risk Management Committee of
CGI Group Inc.

We have reviewed the condensed interim consolidated financial statements of CGI Group Inc., consisting of:

- ▶ the condensed consolidated balance sheets as at December 31, 2012, and September 30, 2012;
- ▶ the condensed consolidated statements of earnings for the three -month periods ended December 31, 2012 and 2011;
- ▶ the condensed consolidated statements of comprehensive income for the three-month periods ended December 31, 2012 and 2011;
- ▶ the condensed consolidated statements of changes in equity for the three-month periods ended December 31, 2012 and 2011; and
- ▶ the condensed consolidated statements of cash flows for the three-month periods ended December 31, 2012 and 2011.

These condensed interim consolidated financial statements are the responsibility of CGI Group Inc.'s management.

We performed our reviews in accordance with Canadian generally accepted standards and the standards of the Public Company Accounting Oversight Board (United States) for a review of interim financial statements by an entity's auditor (an "interim review"). Such an interim review consists principally of applying analytical procedures to financial data, and making inquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our reviews, we are not aware of any material modification that needs to be made for these condensed interim consolidated financial statements to be in accordance with IAS 34 *Interim Financial Reporting*.

This report is solely for the use of the Audit and Risk Management Committee of CGI Group Inc. to assist it in discharging its regulatory obligation to review these condensed interim consolidated financial statements, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

*Ernst & Young LLP*¹

Montréal, Canada
January 30, 2013

¹ CPA auditor, CA, public accountancy permit no. A112431

The Logica Pre-Acquisition Financial Information contains unaudited, interim financial information of Logica for the six month period ended 30 June 2012. The Logica Pre-Acquisition Financial Information was prepared solely for inclusion in CGI's 'Business Acquisition Report', which was required to be produced and filed with the CSA following CGI's acquisition of Logica on 20 August 2012. Logica's results since 20 August 2012 have been included in the audited consolidated financial statements of the Group. Employees should be aware that certain adjustments were made to the figures contained in the Logica Pre-Acquisition Financial Information during the process of incorporating Logica's results into the Group's audited consolidated financial statements for the year ended 30 September 2012.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF LOGICA PLC

For the six month period ended 30 June 2012

Extracted from the Business Acquisition Report filed by CGI Group Inc.
with the CSA on 5 November 2012

Consolidated statement of comprehensive income

	Note	30-Jun-12 £'m	30-Jun-11 £'m
Revenue	2	1,866.3	1,997.6
Net operating costs		(2,091.2)	(1,914.3)
Operating (loss) profit	2	(224.9)	83.3
<i>Analysed as:</i>			
Operating (loss) profit before exceptional items		(216.5)	85.7
Exceptional items	3	(8.4)	(2.4)
Operating (loss) profit	2	(224.9)	83.3
Finance costs		(15.1)	(14.3)
Finance income		7.8	5.6
Share of post-tax profits from associates		0.6	0.4
(Loss) profit before tax		(231.6)	75.0
Taxation	5	20.2	(16.6)
Net (loss) profit for the period		(211.4)	58.4
Other comprehensive (expense)/income			
Exchange differences on translation of foreign operations		(50.8)	88.6
Interest rate swaps fair value difference		-	(1.1)
Cash flow hedges		0.8	-
Actuarial losses on retirement benefit obligations		(66.8)	(8.2)
Tax on items taken directly to equity		15.0	2.3
Other comprehensive (expense)/income for the period, net of tax		(101.8)	81.6
Total comprehensive (expense)/income for the period		(313.2)	140.0
<i>(Loss) profit attributable to:</i>			
Owners of the parent		(211.4)	58.4
		(211.4)	58.4
<i>Total comprehensive (expense)/income attributable to:</i>			
Owners of the parent		(313.2)	140.0
		(313.2)	140.0
(Loss) earnings per share		p / share	p / share
- Basic	7	(13.2)	3.7
- Diluted	7	(13.2)	3.6

The notes on pages 5 to 12 form an integral part of this interim financial information.

Consolidated statement of financial position

	Note	30-Jun-12 £'m	31-Dec-11 £'m
Non-current assets			
Goodwill		1,838.1	1,883.4
Other intangible assets		144.8	174.0
Property, plant and equipment		133.1	139.7
Investments in associates		1.6	2.6
Financial assets		13.6	13.9
Retirement benefit assets	14	3.3	52.4
Derivative financial instruments		34.6	27.6
Deferred tax assets		105.6	84.0
		2,274.7	2,377.6
Current assets			
Inventories		0.9	0.8
Trade and other receivables		1,239.6	1,262.0
Current tax assets		22.2	24.8
Cash and cash equivalents		40.3	89.6
		1,303.0	1,377.2
Current liabilities			
Other borrowings		(33.4)	(35.1)
Trade and other payables		(1,016.5)	(1,061.9)
Current tax liabilities		(59.8)	(89.3)
Provisions	10	(52.0)	(90.0)
		(1,161.7)	(1,276.3)
Net current assets		141.3	100.9
Total assets less current liabilities		2,416.0	2,478.5
Non-current liabilities			
Borrowings		(475.6)	(376.1)
Retirement benefit obligations		(81.9)	(69.7)
Deferred tax liabilities		(27.0)	(46.0)
Provisions	10	(119.7)	(47.7)
Derivative financial instruments		(3.3)	(4.3)
Expected losses on revenue-generating contracts and other		(118.8)	(1.5)
		(826.3)	(545.3)
Net assets		1,589.7	1,933.2
Equity			
Share capital	11	162.4	161.2
Share premium account	12	1,113.8	1,110.6
Other reserves		313.5	661.4
Total shareholders' equity		1,589.7	1,933.2
Non-controlling interests		-	-
Total equity		1,589.7	1,933.2

The notes on pages 5 to 12 form an integral part of this interim financial information.

Consolidated statement of cash flows

	Note	2012 £'m	2011 £'m
Cash flows from operating activities			
Net cash outflow from trading operations		(7.6)	(4.4)
Cash outflow related to restructuring and integration activities		(37.7)	(7.2)
Cash outflow related to acquisition and integration		(2.2)	-
Cash used in operations	13	(47.5)	(11.6)
Finance costs paid		(11.4)	(11.0)
Income tax paid		(32.1)	(16.1)
Net cash outflow from operating activities		(91.0)	(38.7)
Cash flows from investing activities			
Finance income received		5.1	3.2
Dividends received from associates		0.5	0.4
Proceeds on disposal of property, plant and equipment		-	0.1
Purchases of property, plant and equipment		(21.3)	(27.6)
Expenditure on other intangible assets		(10.0)	(11.9)
Repurchase of non-controller interest		-	(0.1)
Proceeds from disposal of investment in associate		5.6	-
Acquisition of subsidiaries and other businesses, net of cash acquired		-	(16.7)
Net cash outflow from investing activities		(20.1)	(52.6)
Cash flows from financing activities			
Proceeds from issue of shares allotted under share plans		3.9	3.2
Proceeds from bank borrowings		155.0	122.9
Repayments of bank borrowings		(30.7)	(0.6)
Proceeds of finance leases		1.0	-
Repayments of finance leases		(0.7)	(1.4)
Proceeds from other borrowings		0.4	-
Repayments of other borrowings		(0.3)	(0.7)
Net proceeds from forward contracts		(4.6)	(1.2)
Dividends paid to the Company's shareholders		(37.0)	(36.6)
Net cash inflow from financing activities		87.0	85.6
Net decrease in cash, cash equivalents and bank overdrafts		(24.1)	(5.7)
Cash, cash equivalents and bank overdrafts at the beginning of the year		56.6	30.6
Net decrease in cash, cash equivalents and bank overdrafts		(24.1)	(5.7)
Effect of foreign exchange rates		(2.0)	2.2
Cash, cash equivalents and bank overdrafts at the end of the period		30.5	27.1

The notes on pages 5 to 12 form an integral part of this interim financial information.

Consolidated statement of changes in equity

	Share capital £'m	Share premium £'m	Retained earnings £'m	Other reserves £'m	Total Shareholder's Equity £'m	Non- controlling interest £'m	Total Equity £'m
At 1 January 2012	161.2	1,110.6	(254.0)	915.4	1,933.2	-	1,933.2
Net profit (loss) for the year	-	-	(211.4)	-	(211.4)	-	(211.4)
Other comprehensive (expense)/income:							
Actuarial losses	-	-	(66.8)	-	(66.8)	-	(66.8)
Tax on items taken to equity	-	-	15.0	-	15.0	-	15.0
Cash flow hedges	-	-	-	0.8	0.8	-	0.8
Exchange differences	-	-	-	(50.8)	(50.8)	-	(50.8)
Total comprehensive income	-	-	(263.2)	(50.0)	(313.2)	-	(313.2)
Transactions with owners:							
Dividends paid	-	-	(37.0)	-	(37.0)	-	(37.0)
Share-based payment	-	-	2.8	-	2.8	-	2.8
Shares allotted under share plans	1.2	3.2	(0.5)	-	3.9	-	3.9
Total transactions with owners	1.2	3.2	(34.7)	-	(30.3)	-	(30.3)
At 30 June 2012	162.4	1,113.8	(551.9)	865.4	1,589.7	-	1,589.7
At 1 January 2011	160.2	1,107.4	(239.1)	972.6	2,001.1	0.1	2,001.2
Net profit for the year	-	-	58.4	-	58.4	-	58.4
Other comprehensive (expense)/income:							
Actuarial losses	-	-	(8.2)	-	(8.2)	-	(8.2)
Tax on items taken to equity	-	-	2.3	-	2.3	-	2.3
Interest rate swaps fair value difference	-	-	(1.1)	-	(1.1)	-	(1.1)
Exchange differences	-	-	-	88.6	88.6	-	88.6
Total comprehensive income	-	-	51.4	88.6	140.0	-	140.0
Transactions with owners:							
Dividends paid	-	-	(36.6)	-	(36.6)	-	(36.6)
Repurchase of non-controlling interest	-	-	-	-	-	(0.1)	(0.1)
Share-based payment	-	-	4.3	-	4.3	-	4.3
Shares allotted under share plans	0.9	2.9	(0.6)	-	3.2	-	3.2
Total transactions with owners	0.9	2.9	(32.9)	-	(29.1)	(0.1)	(29.2)
At 30 June 2011	161.1	1,110.3	(220.6)	1,061.2	2,112.0	-	2,112.0

The notes on pages 5 to 12 form an integral part of this interim financial information.

Notes to the consolidated interim financial information

1. Accounting policies and basis of preparation

Basis of preparation

The consolidated interim financial information for the six months ended 30th June 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2011, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Directors, having made enquiries and reviewed information, consider that the Group has adequate resources to continue in operational existence for the foreseeable future, and therefore it is appropriate to maintain the going concern basis in preparing the financial statements.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2011, except as described below.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The Directors have considered the impact of the prospective acquisition of Logica plc by CGI Group Inc., announced on 31 May 2012, in the preparation of the interim financial information. Refer to note 17 for further details of this transaction. The interim financial information does not reflect the consequences of the transaction. As at the balance sheet date the transaction remained contingent on shareholder and regulatory approval.

(a) The following standards, interpretations, and amendments to standards were effective during the six months ended 30th June 2012, but had no material impact on the Group:

- Amendments to IFRS 7, 'Financial instruments: Disclosures' on Transfers of assets (effective on or after 1 July 2011)
- Improvements to IFRSs issued as part of annual improvements

(b) The following standards, interpretations, and amendments to existing standards are not yet effective, have not yet been endorsed by the EU and have not been early adopted by the Group:

- IFRS 9, 'Financial instruments' – classification and measurement' (effective on or after 1 January 2015)
- IFRS 10, 'Consolidated financial statements' (effective on or after 1 January 2013)
- IFRS 11, 'Joint arrangements' (effective on or after 1 January 2013)
- IFRS 12, 'Disclosures of interests in other entities' (effective on or after 1 January 2013)
- IFRS 13, 'Fair value measurement' (effective on or after 1 January 2013)
- IAS 19 (revised 2011), 'Employee benefits' (effective on or after 1 January 2013)
- IAS 27 (revised 2011) 'Separate financial statements' (effective 1 January 2013)
- IAS 28 (revised 2011) 'Associates and joint ventures' (effective on or after 1 January 2013)
- Amendment to IFRS 1, 'First time adoption', on government loans (effective on or after 1 January 2013)
- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income (effective on or after 1 July 2012)
- Amendment to IFRS 7, 'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities (effective on or after 1 January 2013)
- Amendment to IAS 32, 'Financial instruments Presentation', on offsetting financial assets and financial liabilities (effective on or after 1 January 2014)

This interim report does not constitute statutory accounts of the Group within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2011, which were prepared under International Financial Reporting Standards, have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

Notes to the consolidated interim financial information (continued)

The most important foreign currencies for the Group are the euro and the Swedish krona. The relevant exchange rates to pounds sterling were:

	30 June 2012		30 June 2011	
	Average	Closing	Average	Closing
£1 = €	1.22	1.24	1.15	1.11
£1 = SEK	10.80	10.83	10.28	10.13

2. Segment information

The Executive Committee is the Group's Chief Operating Decision Maker as it is responsible for the allocation of resources to operating segments and assessing their performance. The profit measure used by the Executive Committee is the adjusted operating profit, as described below. Operating segments are reported in a manner which is consistent with the operating segments produced for internal management reporting.

Adjusted operating profit excludes: the results of discontinued operations, exceptional items and amortisation of intangible assets initially recognised at fair value in a business combination, whenever such items occur. Adjusted operating profit is not defined under IFRS and has been shown as the Directors consider this helpful for a better understanding of the performance of the Group's underlying business. It may not be comparable with similarly titled profit measurements reported by other companies and is not intended to be a substitute for, or superior to, IFRS measures of profit.

At 30 June 2012, Logica is organised into six operating segments based on the location of assets. Segment revenue and profit before tax are disclosed below:

	Revenue		Adjusted operating profit/(loss)	
	Six months ended 30 June 2012 £'m	Six months ended 30 June 2011 £'m	Six months ended 30 June 2012 £'m	Six months ended 30 June 2011 £'m
France	409.6	454.7	(88.2)	41.1
Northern and Central Europe	409.1	434.8	14.6	29.9
United Kingdom	377.4	360.7	(48.5)	13.1
Sweden	297.0	326.4	(6.0)	9.7
Benelux	206.4	241.5	(54.2)	1.0
International	166.8	179.5	(7.7)	18.2
Total	1,866.3	1,997.6	(190.0)	113.0

A reconciliation of total adjusted operating profit to total profit before income tax is provided as follows:

	Six months ended 30 June 2012 £'m	Six months ended 30 June 2011 £'m
Adjusted operating (loss) profit	(190.0)	113.0
Exceptional items (Note 3)	(8.4)	(2.4)
Amortisation of intangible assets initially recognised on acquisition	(26.5)	(27.3)
Operating (loss) profit	(224.9)	83.3
Finance costs	(15.1)	(14.3)
Finance income	7.8	5.6
Share of post-tax profits from associates	0.6	0.4
(Loss) profit before tax	(231.6)	75.0

There has been no material change in total assets from the amounts disclosed in the last annual report, other than for the following accruals and provisions that affected the adjusted operating profit/loss for the six months ended June 30, 2012:

	Six months ended 30 June 2012 £'m
Effect of Value-added tax ("VAT") and social security tax claims (note 16)	92.1
Effect of other claims	33.6
Expected losses on revenue-generating contracts and write-offs	139.4
Total	265.1

There are no differences from the last annual reporting in the basis of segmentation or in the basis of measurement of segment profit or loss.

Notes to the consolidated interim financial information (continued)

3. Exceptional items

The exceptional items recognised within operating profit were as follows:

	Six months ended 30 June 2012 £'m	Six months ended 30 June 2011 £'m
Acquisition and integration costs	3.5	2.4
Gain on sale of investment in associate	(4.7)	-
Costs relating to the prospective acquisition of Logica plc by CGI Inc.	9.6	-
	8.4	2.4

Acquisition and integrations costs represent costs incurred by the Group in relation to the acquisition and integration of GrupoGesfor.

The gain on sale of investment in associates relates to the sale of the Group's 50% stake in Silta Oy, a provider of payroll outsourcing business and financial management in Finland.

The costs related to the prospective CGI Group Inc. acquisition mostly consists of professional fees incurred prior to the announcement of the acquisition on 31 May 2012. This excludes fees of £11.6 million which are contingent on the successful completion of the prospective acquisition. As the acquisition was not completed prior to the balance sheet date these fees have not been included in the Group results for the interim period.

4. Employees

	Six months ended 30 June 2012 Number	Six months ended 30 June 2011 Number
The average number of employees during the period was:		
France	9,488	9,221
Northern and Central Europe	7,103	7,082
United Kingdom	5,550	5,524
Sweden	5,129	5,270
Benelux	4,543	4,864
International	9,537	8,180
	41,350	40,141
	Six months ended 30 June 2012 Number	Six months ended 30 June 2011 Number
The number of employees at the end of the period was:		
France	9,818	9,160
Northern and Central Europe	7,194	7,108
United Kingdom	5,738	5,803
Sweden	5,002	5,264
Benelux	4,254	4,834
International	9,714	9,532
	41,720	41,701

Notes to the consolidated interim financial information (continued)

5. Taxation

The tax credit of £20.2 million for the six months to 30 June 2012 has been based on an estimated effective tax rate for the full year, excluding the impact of any share of post-tax profits from associates, material accruals and provisions, and exceptional items and also any prior year charges/credits.

The tax charge on continuing operations for the six months ended 30 June 2012, before share of post tax profits from associates, material accruals and provisions, and exceptional items and before adjusting for prior year credits is £10.5 million (25.1% effective tax rate). During the period, a total tax credit of £30.7 million was recognized for the material accruals and provisions and favourable developments in negotiations with HMRC.

A resolution passed by Parliament on 26 March 2012 reduced the main rate of UK corporation tax to 24% from 1 April 2012. Deferred tax assets and liabilities being realised or settled on or after 1 April 2012 are measured at 24%; and those being realised or settled before 1 April 2012 at 25%.

A further reduction to the main rate of UK corporation tax is proposed to reduce the rate to 23% by 1 April 2013. This expected rate reduction had not been substantively enacted at 30 June 2012 and has therefore not been reflected in the tax charge for the six months ended 30 June 2012. The overall effect of the further changes to 23%, if these applied to the deferred tax balance as at 30 June 2012, would be an additional charge of £0.5 million.

6. Dividends

Dividends recognised in the period amounted to £37.0 million (six months ended 30 June 2011: £36.6 million), or 2.3p per share (six months ended 30 June 2011: 2.3p per share).

Notes to the consolidated interim financial information (continued)

7. Earnings per share

Six months ended 30 June 2012			
	Earnings £'m	Weighted average number of shares million	Earnings per share pence
(Loss) profit for the period from continuing operations	(211.4)		
(Loss) earnings attributable to owners of the parent	(211.4)	1,606.3	(13.2)
Basic EPS	(211.4)	1,606.3	(13.2)
Effect of share options and share awards	-	27.1	-
Diluted EPS	(211.4)	1,633.4	(13.2)
Adjusted earnings per share from continuing operations			
Earnings attributable to ordinary shareholders	(211.4)	1,606.3	(13.2)
Add back/(deduct):			
Exceptional items, net of tax	8.4	-	(0.5)
Fair value adjustment on financial assets and liabilities, net of tax	(0.8)	-	-
Amortisation of intangible assets initially recognised on acquisition, net of tax	19.5	-	1.2
Basic adjusted EPS	(184.3)	1,606.3	(11.5)
Effect of share options and share awards	-	27.1	-
Fair value adjustment on financial assets and liabilities net of tax	0.8	-	-
Diluted adjusted EPS	(183.5)	1,633.4	(11.5)

Six months ended 30 June 2011			
	Earnings £'m	Weighted average number of shares Million	Earnings per share Pence
Basic EPS	58.4	1,593.6	3.7
Effect of share options and share awards	-	41.1	(0.1)
Diluted EPS	58.4	1,634.7	3.6
Adjusted earnings per share			
Earnings attributable to ordinary shareholders	58.4	1,593.6	3.7
Add back:			
Exceptional items, net of tax	2.3	-	0.2
Amortisation of intangible assets initially recognised on acquisition, net of tax	19.9	-	1.2
Basic adjusted EPS	80.6	1,593.6	5.1
Effect of share options and share awards	-	41.1	(0.1)
Diluted adjusted EPS	80.6	1,634.7	5.0

Adjusted earnings per share, both basic and diluted, have been shown as the Directors consider this to be helpful for a better understanding of the performance of the Group's underlying business. The earnings measure used in adjusted earnings per share excludes, whenever such items occur: the results of discontinued operations; exceptional items; mark-to-market gains or losses on financial assets and financial liabilities designated at fair value through profit or loss; and amortisation of intangible assets initially recognised at fair value in a business combination. All items adjusted are net of tax where applicable.

The weighted average number of shares excludes the shares held by employee share ownership plan trusts, which are treated as cancelled.

Notes to the consolidated interim financial information (continued)

8. Reconciliation of movements in net debt

	At 1 January 2012 £'m	Cash flows £'m	Non-cash movements £'m	Exchange differences £'m	At 30 June 2012 £'m
Cash and cash equivalents	89.6	(47.6)	-	(1.7)	40.3
Bank overdrafts	(33.0)	23.5	-	(0.3)	(9.8)
	56.6	(24.1)	-	(2.0)	30.5
Finance leases	(3.1)	(0.3)	0.6	-	(2.8)
Bank loans	(72.0)	(124.3)	(0.5)	2.8	(194.0)
Private placement debt notes	(297.3)	-	(3.3)	4.0	(296.6)
Other borrowings	(5.8)	(0.1)	-	0.1	(5.8)
Derivatives in respect of net debt	26.6	(0.1)	7.1	0.1	33.7
Net debt	(295.0)	(148.9)	3.9	5.0	(435.0)

9. Capital expenditure

Additions to property, plant and equipment during the six months ended 30 June 2012 amounted to £21.5 million (six months ended 30 June 2011: £27.6 million). The net book value of property, plant and equipment disposed during the six months ended 30 June 2012 amounted to £0.5 million (six months ended 30 June 2011: £0.4 million).

10. Provisions

	Vacant Properties £'m	Restructuring £'m	Other £'m	Total £'m
At 1 January 2012	37.8	83.6	16.3	137.7
Charged in the period	0.3	-	87.8	88.1
Utilised in the period	(5.9)	(43.2)	(1.7)	(50.8)
Unused amounts reversed in the period	(0.3)	(1.0)	(0.3)	(1.6)
Unwinding of discount	0.5	-	-	0.5
Exchange differences	(0.4)	(1.4)	(0.4)	(2.2)
At 30 June 2012	32.0	38.0	101.7	171.7

Analysed as:

Current liabilities	52.0
Non-current liabilities	119.7
	171.7

11. Share capital

	2012		2011	
	Number	£'m	Number	£'m
Allotted, called-up and fully paid				
At 1 January	1,611,973,566	161.2	1,601,941,495	160.2
Allotted under share plans	12,175,052	1.2	9,196,623	0.9
At 30 June	1,624,148,618	162.4	1,611,138,118	161.1

12. Share premium

	2012 £'m	2011 £'m
At 1 January	1,110.6	1,107.4
Premium on shares allotted under share plans	3.2	2.9
At 30 June	1,113.8	1,110.3

Notes to the consolidated interim financial information (continued)

13. Reconciliation of operating profit to cash generated from operations

	2012 £'m	2011 £'m
Operating (loss) profit from operations	(224.9)	83.3
<i>Adjustments for:</i>		
Share-based payment expense	2.9	5.0
Depreciation of property, plant and equipment	23.7	23.1
Loss on disposal of non-current assets	0.6	0.4
Net movement in provision for impairment of trade receivables	0.5	-
Non-cash foreign exchange differences	(3.4)	-
Amortisation of intangible assets	36.1	34.9
Non-cash element of expense for defined benefit plans	(6.2)	(11.1)
	54.2	52.3
Net movements in provisions and in other non-current liabilities	152.1	(11.7)
<i>Movements in working capital:</i>		
Inventories	(0.2)	0.1
Trade and other receivables	(6.5)	(88.9)
Trade and other payables	(22.2)	(46.7)
	(28.9)	(135.5)
Cash used in operations	(47.5)	(11.6)
Add back: Cash outflow related to restructuring activities	37.7	7.2
Add back: Cash outflow related to acquisition and integration activities	2.2	-
Net cash outflow from trading operations	(7.6)	(4.4)

14. Pensions

During 2011, the Group held discussions with a number of third parties concerning reinsuring the pension obligations relating to the CMG Netherlands pension scheme ('Stichting Pensioenfonds CMG'). These discussions were concluded during the period and were approved by the Dutch National Bank. Following the approval of the transaction, the Group expects to complete the liquidation of the Stichting Pensioenfonds CMG during the second half of 2012.

In reinsuring the pension obligations the plan assets have become qualifying insurance policies according to the definitions set out within IAS 19 'Employee Benefits'. As qualifying insurance policies that exactly match some or all of the benefits payable under the plan, the fair value of these policies is deemed the present value of the related obligations. An actuarial loss of £50.4 million was recorded during the period within Other Comprehensive Income.

15. Related party disclosures

In the six months to 30 June 2012, there were no material changes in related parties or related party transactions. The Group's related party transactions and relationships for 2011 were disclosed in the Annual Report for the year ended 31 December 2011.

Notes to the consolidated interim financial information (continued)

16. Contingent liabilities

The size, structure and geographic spread of the Group and its activities naturally expose it to potential scrutiny and possible legal claims including tax and other regulatory authorities in the normal course of operations. The results of tax audits and other similar enquiries are normally reflected in the accounts on an accruals basis where a recovery or liability can be predicted with reasonable certainty. Occasionally claims may be levied against the Group by such authorities, the outcomes of which cannot be predicted with reasonable certainty. While Logica strongly believes it complies with all relevant laws and regulations, and would vigorously defend itself against any such claims, if it was unsuccessful the enforcement of such claims could from time to time have a potentially material impact on the Group's results and financial position.

In 2009, a subsidiary of the Group received a €59 million VAT claim from the French tax authorities. Interest accrues on the claim amount. The claim relates to the VAT treatment of goods exported from France during the years 2004 to 2006. The Administrative Court of Montreuil rendered an adverse ruling on the claim in May 2012 and Logica is required to make a cash payment of €64 million (£52.4 million) to the French tax authorities, which includes penalties and interest. The Group has carefully analyzed these claims, obtained external experts' advice which stated that the Group was not likely to succeed and decided to pay the entire amount in August before the CGI acquisition (note 17). The Group provided an amount of £43.7 million in its June results for this matter.

In 2009, a subsidiary of the Group received a claim related to social security taxes on allowances given to employees. A court hearing was held on 23 June 2012 and an unfavourable decision by the Court was received in September 2012. As a result, the Group decided to provide an amount of €35 million (£28.7 million) for the related tax risk in its June results.

17. Acquisition of Logica plc by CGI Inc.

On 31 May 2012 the boards of directors of Logica plc and CGI Group Inc. ("CGI") announced that they have reached agreement on the terms of a recommended cash acquisition of Logica by CGI Holdings Europe Limited ("CGI Europe"), a wholly owned subsidiary of CGI, pursuant to which CGI Europe will acquire the entire issued and to be issued ordinary share capital of Logica (the "Acquisition"). The Acquisition will be implemented by way of a scheme of arrangement under Part 26 of the Companies Act 2006 ("the Scheme").

The Acquisition was approved by Logica plc shareholders at a Court meeting held on 16 July 2012. Completion of the Acquisition is conditional upon the satisfaction of the conditions to the Scheme, including the receipt of the requisite regulatory and anti-trust clearances. Following satisfaction of these conditions, the hearings of the petition to the Court to sanction the Scheme and to confirm the related capital reduction took place on 16 August and 20 August 2012 respectively.