

Consolidated Financial Statements

Consolidated Statements of Earnings

YEARS ENDED SEPTEMBER 30	2007	2006	2005
(in thousands of Canadian dollars, except share data)	\$	\$	\$
Revenue (Note 12)	3,711,566	3,477,623	3,685,986
Operating expenses			
Costs of services, selling and administrative (Note 12 and Note 17)	3,126,105	2,996,521	3,151,558
Amortization (Note 12)	177,648	170,766	199,283
Restructuring costs related to specific items (Note 14)	23,010	67,266	–
Interest on long-term debt	41,818	43,291	24,014
Other income, net	(9,262)	(7,252)	(7,156)
Gain on sale of assets	(700)	(10,475)	–
Gain on sale and earnings from an investment in an entity subject to significant influence (Note 18)	–	–	(4,537)
Sale of right (Note 15)	–	–	(11,000)
Non-controlling interest, net of income taxes (Note 18)	251	–	–
	3,358,870	3,260,117	3,352,162
Earnings from continuing operations before income taxes	352,696	217,506	333,824
Income taxes (Note 16)	116,294	70,973	114,126
Net earnings from continuing operations	236,402	146,533	219,698
Net loss from discontinued operations (Note 19)	–	–	(3,210)
Net earnings	236,402	146,533	216,488
Basic earnings (loss) per share (Note 11)			
Continuing operations	0.72	0.40	0.50
Discontinued operations	–	–	(0.01)
	0.72	0.40	0.49
Diluted earnings (loss) per share (Note 11)			
Continuing operations	0.71	0.40	0.50
Discontinued operations	–	–	(0.01)
	0.71	0.40	0.49

See Notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

YEARS ENDED SEPTEMBER 30	2007	2006	2005
(in thousands of Canadian dollars)	\$	\$	\$
Net earnings	236,402	146,533	216,488
Other comprehensive loss			
Net change in unrealized loss on translating financial statements of self-sustaining foreign operations	(118,785)	(47,857)	(111,792)
Net change in unrealized gains on translation of long-term debt designated as a hedge of net investment in self-sustaining foreign operations	22,848	8,794	19,737
Other comprehensive loss before income taxes	(95,937)	(39,063)	(92,055)
Income tax expense on other comprehensive loss	(913)	623	(69)
Other comprehensive loss (Note 13)	(96,850)	(38,440)	(92,124)
Comprehensive income	139,552	108,093	124,364

See Notes to the consolidated financial statements.

Consolidated Statements of Retained Earnings

YEARS ENDED SEPTEMBER 30	2007	2006	2005
(in thousands of Canadian dollars)	\$	\$	\$
Balance, beginning of year	587,201	895,267	730,757
Net earnings	236,402	146,533	216,488
Share repurchase costs (Note 9)	–	(6,760)	–
Excess of purchase price over carrying value of Class A subordinate shares acquired (Note 9)	(70,756)	(447,839)	(51,978)
Balance, end of year	752,847	587,201	895,267

See Notes to the consolidated financial statements.

Consolidated Balance Sheets

AS AT SEPTEMBER 30	2007	2006
(in thousands of Canadian dollars)	\$	\$
Assets		
Current assets		
Cash and cash equivalents	88,879	115,729
Accounts receivable (Note 3)	478,980	479,767
Work in progress	191,055	197,381
Prepaid expenses and other current assets	67,720	89,639
Income taxes	4,849	–
Future income taxes (Note 16)	30,522	33,728
	862,005	916,244
Capital assets (Note 4)	146,352	120,032
Contract costs (Note 5)	192,722	214,688
Finite-life intangibles and other long-term assets (Note 6)	455,711	523,332
Future income taxes (Note 16)	4,928	25,127
Goodwill (Note 7)	1,658,712	1,737,886
Total assets before funds held for clients	3,320,430	3,537,309
Funds held for clients (Note 2)	155,378	154,723
	3,475,808	3,692,032
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 14 and Note 18)	329,381	352,530
Accrued compensation (Note 14 and Note 18)	132,022	108,331
Deferred revenue	152,668	111,759
Income taxes	108,432	56,304
Future income taxes (Note 16)	24,404	30,384
Current portion of long-term debt (Note 8)	9,815	8,242
	756,722	667,550
Future income taxes (Note 16)	202,718	213,512
Long-term debt (Note 8)	463,376	805,017
Accrued integration charges (Note 14 and Note 18) and other long-term liabilities	79,346	103,210
Total liabilities before clients' funds obligations	1,502,162	1,789,289
Clients' funds obligations (Note 2)	155,378	154,723
	1,657,540	1,944,012
Commitments, contingencies and guarantees (Note 25)		
Shareholders' equity		
Retained earnings	752,847	587,201
Accumulated other comprehensive loss (Note 13)	(386,073)	(289,223)
	366,774	297,978
Capital stock (Note 9)	1,369,029	1,367,606
Contributed surplus (Note 10b)	82,465	82,436
	1,818,268	1,748,020
	3,475,808	3,692,032

See Notes to the consolidated financial statements.

Approved by the Board

[signed]
MICHAEL E. ROACH
Director

[signed]
SERGE GODIN
Director

Consolidated Statements of Cash Flows

YEARS ENDED SEPTEMBER 30	2007	2006	2005
(in thousands of Canadian dollars)	\$	\$	\$
Operating activities			
Net earnings from continuing operations	236,402	146,533	219,698
Adjustments for:			
Amortization (Note 12)	200,954	198,895	231,597
Non-cash portion of restructuring costs related to specific items (Note 14)	–	1,311	–
Deferred credits	–	(781)	(3,038)
Future income taxes (Note 16)	10,054	(34,225)	35,650
Foreign exchange loss	3,457	1,914	1,993
Stock-based compensation (Note 10a)	13,933	12,895	20,554
Sale of right (Note 15)	–	–	(11,000)
Gain on sale of assets	(700)	(10,475)	–
Gain on sale and earnings from an investment in an entity subject to significant influence (Note 18)	–	–	(4,537)
Non-controlling interest, net of income tax (Note 18)	251	–	–
Net change in non-cash working capital items (Note 21)	85,818	(10,471)	(10,208)
Cash provided by continuing operating activities	550,169	305,596	480,709
Investing activities			
Business acquisitions (net of cash acquired) (Note 18)	(17,298)	(25,620)	(66,229)
Proceeds from sale of assets and businesses (net of cash disposed) (Note 18)	–	30,114	29,521
Proceeds from sale of investment in an entity subject to significant influence (Note 18)	–	–	20,849
Proceeds from sale of right (Note 15)	–	–	11,000
Purchase of capital assets	(53,264)	(41,105)	(25,314)
Proceeds from disposal of capital assets	1,371	562	6,663
Payment of contract costs	(24,189)	(34,051)	(25,057)
Reimbursement of contract costs upon termination of a contract	2,143	–	15,300
Additions to finite-life intangibles and other long-term assets	(66,311)	(67,969)	(90,674)
Proceeds from disposal of finite-life intangibles	–	–	5,251
Decrease in other long-term assets	908	2,677	12,413
Cash used in continuing investing activities	(156,640)	(135,392)	(106,277)
Financing activities			
Increase in credit facilities (Note 8)	30,113	746,170	190,000
Repayment of credit facilities	(353,643)	(158,944)	(397,578)
Repayment of long-term debt	(7,466)	(13,124)	(16,705)
Repurchase of Class A subordinate shares (net of share repurchase costs) (Note 9)	(128,541)	(926,145)	(109,456)
Issuance of shares (net of share issue costs) (Note 9)	42,744	57,963	4,551
Cash used in continuing financing activities	(416,793)	(294,080)	(329,188)
Effect of foreign exchange rate changes on cash and cash equivalents of continuing operations	(3,586)	(854)	(6,167)
Net (decrease) increase in cash and cash equivalents of continuing operations	(26,850)	(124,730)	39,077
Net cash and cash equivalents provided by discontinued operations (Note 19)	–	–	759
Cash and cash equivalents, beginning of year	115,729	240,459	200,623
Cash and cash equivalents, end of year	88,879	115,729	240,459

Supplementary cash flow information (Note 21)

See Notes to the consolidated financial statements.