Consolidated Financial Statements of

# CGI GROUP INC.

For the years ended September 30, 2014 and 2013

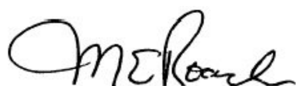
# Management's and Auditors' reports

## 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 judgement. 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 Executive 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.



**Michael E. Roach**
President and Chief Executive Officer

**François Boulanger**
Executive Vice-President and Chief Financial Officer

November 12, 2014

# Management's and Auditors' reports

## 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;

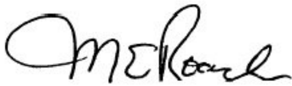
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in Canada, and that receipts and expenditures are being made only in accordance with authorizations of management 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.

As of the end of the Company's 2014 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 (1992 Framework). Based on this assessment, management has determined the Company's internal control over financial reporting as at September 30, 2014, was effective.

The effectiveness of the Company's internal control over financial reporting as at September 30, 2014, has been audited by the Company's independent auditors, as stated in their report appearing on page 3.



**Michael E. Roach**
President and Chief Executive Officer

**François Boulanger**
Executive Vice-President and Chief Financial Officer

November 12, 2014

# Management's and Auditors' reports

## 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, 2014, based on criteria established *in Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) ("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 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.

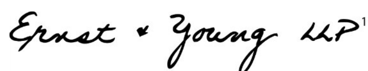
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material 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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2014 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, 2014, and our report dated November 12, 2014 expressed an unqualified opinion thereon.




**Ernst & Young LLP**

Montréal, Canada
November 12, 2014

1. CPA auditor, CA, public accountancy permit No. A112431

## 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, 2014 and 2013 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended September 30, 2014 and 2013, 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' judgement, 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.

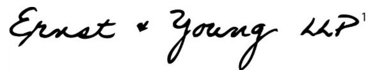
We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CGI Group Inc. as at September 30, 2014 and 2013, and its financial performance and its cash flows for the years ended September 30, 2014 and 2013, 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, 2014, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated November 12, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.



**Ernst & Young LLP**

Montréal, Canada
November 12, 2014

1. CPA auditor, CA, public accountancy permit No. A112431

# Consolidated Statements of Earnings

For the years ended September 30
(in thousands of Canadian dollars, except per share data)

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| **Revenue** | **10,499,692** | 10,084,624 |
| Operating expenses | | |
| Costs of services, selling and administrative (Note 23) | **9,129,791** | 9,012,310 |
| Integration-related costs (Note 26b) | **127,341** | 338,439 |
| Finance costs (Note 25) | **101,278** | 113,931 |
| Finance income | **(2,010)** | (4,362) |
| Foreign exchange loss (gain) | **13,042** | (3,316) |
| | **9,369,442** | 9,457,002 |
| Earnings before income taxes | **1,130,250** | 627,622 |
| Income tax expense (Note 16) | **270,807** | 171,802 |
| **Net earnings** | **859,443** | 455,820 |
| **Earnings per share (Note 21)** | | |
| Basic earnings per share | **2.78** | 1.48 |
| Diluted earnings per share | **2.69** | 1.44 |

See Notes to the Consolidated Financial Statements.

# Consolidated Statements of Comprehensive Income

For the years ended September 30
(in thousands of Canadian dollars)

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| **Net earnings** | **859,443** | 455,820 |
| Items that will be reclassified subsequently to net earnings (net of income taxes): | | |
| Net unrealized gains on translating financial statements of foreign operations | **221,279** | 297,761 |
| Net losses on derivative financial instruments and on translating long-term debt designated as hedges of net investments in foreign operations | **(100,869)** | (143,785) |
| Net unrealized gains on cash flow hedges | **20,729** | 134 |
| Net unrealized gains (losses) on investments available for sale | **941** | (1,704) |
| Items that will not be reclassified subsequently to net earnings (net of income taxes): | | |
| Net remeasurement losses | **(35,311)** | (30,845) |
| Other comprehensive income | **106,769** | 121,561 |
| **Comprehensive income** | **966,212** | 577,381 |

See Notes to the Consolidated Financial Statements.

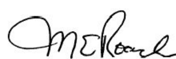
# Consolidated Balance Sheets

As at September 30
(in thousands of Canadian dollars)

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents (Note 4) | **535,715** | 106,199 |
| Current derivative financial instruments (Note 31) | **9,397** | 1,344 |
| Accounts receivable (Note 5) | **1,036,068** | 1,205,625 |
| Work in progress | **807,989** | 911,848 |
| Prepaid expenses and other current assets | **174,137** | 218,446 |
| Income taxes | **8,524** | 17,233 |
| Total current assets before funds held for clients | **2,571,830** | 2,460,695 |
| Funds held for clients (Note 6) | **295,754** | 222,469 |
| Total current assets | **2,867,584** | 2,683,164 |
| Property, plant and equipment (Note 7) | **486,880** | 475,143 |
| Contract costs (Note 8) | **156,540** | 140,472 |
| Intangible assets (Note 9) | **630,074** | 708,165 |
| Other long-term assets (Note 10) | **74,158** | 58,429 |
| Long-term financial assets (Note 11) | **84,077** | 51,892 |
| Deferred tax assets (Note 16) | **323,416** | 368,217 |
| Goodwill (Note 12) | **6,611,323** | 6,393,790 |
| | **11,234,052** | 10,879,272 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | **1,060,380** | 1,119,034 |
| Current derivative financial instruments (Note 31) | **4,588** | 6,882 |
| Accrued compensation | **583,979** | 713,933 |
| Deferred revenue | **457,056** | 508,267 |
| Income taxes | **156,283** | 156,358 |
| Provisions (Note 13) | **143,309** | 223,074 |
| Current portion of long-term debt (Note 14) | **80,367** | 534,173 |
| Total current liabilities before clients' funds obligations | **2,485,962** | 3,261,721 |
| Clients' funds obligations | **292,257** | 220,279 |
| Total current liabilities | **2,778,219** | 3,482,000 |
| Long-term provisions (Note 13) | **70,586** | 109,011 |
| Long-term debt (Note 14) | **2,599,336** | 2,332,377 |
| Other long-term liabilities (Note 15) | **308,387** | 434,653 |
| Long-term derivative financial instruments (Note 31) | **149,074** | 157,110 |
| Deferred tax liabilities (Note 16) | **155,972** | 155,329 |
| Retirement benefits obligations (Note 17) | **183,753** | 153,095 |
| | **6,245,327** | 6,823,575 |
| **Equity** | | |
| Retained earnings | **2,356,008** | 1,551,956 |
| Accumulated other comprehensive income (Note 18) | **228,624** | 121,855 |
| Capital stock (Note 19) | **2,246,197** | 2,240,494 |
| Contributed surplus | **157,896** | 141,392 |
| | **4,988,725** | 4,055,697 |
| | **11,234,052** | 10,879,272 |

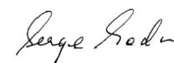
See Notes to the Consolidated Financial Statements.

Approved by the Board



**Michael E. Roach**

Director



**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 income** | **Capital stock** | **Contributed surplus** | **Total equity** |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| Balance as at September 30, 2013 | 1,551,956 | 121,855 | 2,240,494 | 141,392 | 4,055,697 |
| Net earnings | 859,443 | — | — | — | 859,443 |
| Other comprehensive income | — | 106,769 | — | — | 106,769 |
| Comprehensive income | 859,443 | 106,769 | — | — | 966,212 |
| Share-based payment costs | — | — | — | 31,716 | 31,716 |
| Income tax impact associated with stock options | — | — | — | 3,269 | 3,269 |
| Exercise of stock options (Note 19) | — | — | 83,305 | (18,380) | 64,925 |
| Exercise of performance share units (“PSUs”) (Note 19) | — | — | 583 | (583) | — |
| Repurchase of Class A subordinate shares (Note 19) | (55,391) | — | (56,077) | — | (111,468) |
| Purchase of Class A subordinate shares held in trust (Note 19) | — | — | (23,016) | — | (23,016) |
| Resale of Class A subordinate shares held in trust (Note 19) | — | — | 908 | 482 | 1,390 |
| **Balance as at September 30, 2014** | **2,356,008** | **228,624** | **2,246,197** | **157,896** | **4,988,725** |

| | Retained earnings | Accumulated other comprehensive income | Capital stock | Contributed surplus | Total equity |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Balance as at September 30, 2012 | 1,113,225 | 294 | 2,201,694 | 107,690 | 3,422,903 |
| Net earnings | 455,820 | — | — | — | 455,820 |
| Other comprehensive income | — | 121,561 | — | — | 121,561 |
| Comprehensive income | 455,820 | 121,561 | — | — | 577,381 |
| Share-based payment costs | — | — | — | 31,273 | 31,273 |
| Income tax impact associated with stock options | — | — | — | 15,232 | 15,232 |
| Exercise of stock options (Note 19) | — | — | 51,971 | (12,531) | 39,440 |
| Exercise of performance share units (“PSUs”) (Note 19) | — | — | 272 | (272) | — |
| Repurchase of Class A subordinate shares (Note 19) | (17,089) | — | (5,780) | — | (22,869) |
| Purchase of Class A subordinate shares held in trust (Note 19) | — | — | (7,663) | — | (7,663) |
| Balance as at September 30, 2013 | 1,551,956 | 121,855 | 2,240,494 | 141,392 | 4,055,697 |

See Notes to the Consolidated Financial Statements.

# Consolidated Statements of Cash Flows

For the years ended September 30
(in thousands of Canadian dollars)

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| **Operating activities** | | |
| Net earnings | **859,443** | 455,820 |
| Adjustments for: | | |
| Amortization and depreciation (Note 24) | **444,232** | 435,944 |
| Deferred income taxes (Note 16) | **54,360** | 34,714 |
| Foreign exchange loss (gain) | **17,751** | (4,938) |
| Share-based payment costs | **31,716** | 31,273 |
| Net change in non-cash working capital items (Note 27) | **(232,667)** | (281,556) |
| Cash provided by operating activities | **1,174,835** | 671,257 |
| **Investing activities** | | |
| Net change in short-term investments | **73** | 11,843 |
| Business acquisition | **—** | (5,140) |
| Purchase of property, plant and equipment | **(181,471)** | (141,965) |
| Proceeds from sale of property, plant and equipment | **13,673** | — |
| Additions to contract costs | **(73,900)** | (31,207) |
| Additions to intangible assets | **(77,726)** | (71,447) |
| Purchase of long-term investments | **(15,059)** | (10,518) |
| Proceeds from sale of long-term investments | **6,880** | 6,402 |
| Payments received from long-term receivable | **6,377** | 8,177 |
| Cash used in investing activities | **(321,153)** | (233,855) |
| **Financing activities** | | |
| Net change in unsecured committed revolving credit facility | **(283,049)** | (467,027) |
| Increase of long-term debt | **1,021,918** | 80,333 |
| Repayment of long-term debt | **(1,047,261)** | (68,057) |
| Settlement of derivative financial instruments (Note 31) | **(37,716)** | — |
| Purchase of Class A subordinate shares held in trust (Note 19) | **(23,016)** | (7,663) |
| Resale of Class A subordinate shares held in trust | **1,390** | — |
| Repurchase of Class A subordinate shares (Note 19) | **(111,468)** | (22,869) |
| Issuance of Class A subordinate shares | **65,138** | 39,312 |
| Cash used in financing activities | **(414,064)** | (445,971) |
| Effect of foreign exchange rate changes on cash and cash equivalents | **(10,102)** | 1,665 |
| Net increase (decrease) in cash and cash equivalents | **429,516** | (6,904) |
| Cash and cash equivalents, beginning of year | **106,199** | 113,103 |
| **Cash and cash equivalents, end of year (Note 4)** | **535,715** | 106,199 |

Supplementary cash flow information (Note 27).

See Notes to the Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements

For the years ended September 30, 2014 and 2013
(tabular amounts only are in thousands of Canadian dollars, except per share data)

## 1. Description of business

CGI Group Inc. (the “Company”), directly or through its subsidiaries, manages information technology (“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 functions (“outsourcing”), systems integration and consulting, as well as the sale of software solutions. 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 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the International Financial Reporting Interpretations Committee interpretations as issued by the International Accounting Standards Board (“IASB”). The accounting policies were consistently applied to all periods presented.

The Company’s consolidated financial statements for the years ended September 30, 2014 and 2013 were authorized for issue by the Board of Directors on November 12, 2014.

## 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 on consolidation.

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed or has right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the relevant activities of the entity. Subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date control over the subsidiaries ceases.

### 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.

## 3. Summary of significant accounting policies (continued)

### USE OF JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets, liabilities, equity, the accompanying disclosures at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Because the use of judgements and estimates is inherent in the financial reporting process, actual results could differ.

Significant judgements and estimates about the future and other major sources of estimation uncertainty at the end of the reporting period could have a significant risk of causing a material adjustment to the carrying amounts of the following: deferred tax assets, revenue recognition, estimated losses on revenue-generating contracts, goodwill impairment, business combinations, provisions for income tax uncertainties and litigations and claims.

The use of judgments, apart from those involving estimations, that have the most significant effect on the amounts recognized in the financial statements are:

**Multiple component arrangements**

Assessing whether the deliverables within an arrangement are separately identifiable components requires judgement by management. A component is considered as separately identifiable if it has value to the client on a stand-alone basis. The Company first reviews the contract clauses to evaluate if the deliverable is accepted separately by the client. Then, the Company assesses if the deliverable could have been provided by another vendor and if it would have been possible for the client to decide to not purchase the deliverable.

**Deferred tax assets**

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required concerning uncertainties that exist with respect to the timing of future taxable income required to recognize a deferred tax asset. The Company recognizes an income tax benefit only when it is probable that the tax benefit will be realized in the future. In making this judgement, the Company assesses forecast and the availability of future tax planning strategies.

A description of estimations is included in the respective sections within the Notes to the Consolidated Financial Statements and in Note 3, “Summary of significant accounting policies”.

## 3. Summary of significant accounting policies (continued)

### 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 sales of third party vendor products, such as software licenses, 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 and if it assumes delivery and credit risks.

#### Relative selling price

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. When estimating selling price of each component, 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. 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. 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.

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.

## 3. Summary of significant accounting policies (continued)

### REVENUE RECOGNITION, WORK IN PROGRESS AND DEFERRED REVENUE (CONTINUED)

#### 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.

#### 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.

#### Estimated losses on revenue-generating contracts

Estimated losses on revenue-generating contracts may occur due to additional contract costs which were not foreseen at inception of the contract. Contract losses are measured at the amount by which the estimated total costs exceed the estimated total revenue from the contract. The estimated losses on revenue-generating contracts are recognized in the period when it is determined that a loss is probable. The expected loss is first applied to impair the related capitalized contract costs with the excess recorded in accounts payable and accrued liabilities and in other long-term liabilities. Management regularly reviews arrangement profitability and the underlying estimates.

### 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.

### 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, and files federal and local tax returns and handles related regulatory correspondence and amendments. The funds held for clients include cash and long-term bonds. 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 sheets 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

Property, plant and equipment ("PP&E"), including those under finance leases, are recorded at cost and are depreciated 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 |

## 3. Summary of significant accounting policies (continued)

### LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized in PP&E at an amount equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments at the inception of the lease, and then depreciated over the economic useful life of the asset or term of the lease, whichever is shorter. The capital element of future lease payments is included in the consolidated balance sheets within long-term debt. Interest is charged to the consolidated statements of earnings so as to achieve a constant rate of interest on the remaining balance of the liability.

Lease payments under operating leases are charged to the consolidated statements of earnings on a straight-line basis over the lease term. Operating lease incentives are recognized as a reduction in the rental expense over the lease term.

### CONTRACT COSTS

Contract costs are mainly incurred when acquiring or implementing long-term outsourcing contracts. Contract costs are comprised primarily of transition costs and incentives.

#### 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. Transition costs are comprised essentially of labour costs, including compensation and related fringe benefits, as well as subcontractor costs.

#### Incentives

Occasionally, incentives are granted to clients upon the signing of outsourcing contracts. These incentives are granted in the form of cash payments.

#### 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. For outsourcing contracts, the Company is virtually certain that a contract will be awarded when the Company is selected by the client following a tender process but the contract has not yet been signed.

#### 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 capitalized contract costs. The excess of the expected loss over the capitalized contract costs is recorded as estimated losses on revenue-generating contracts in accounts payable and accrued liabilities and in other long-term liabilities. If at a future date the contract returns to profitability, the previously recognized impairment loss must be reversed. First the estimated losses on revenue-generating contracts must be reversed, and if there is still additional projected profitability then any capitalized contract costs that were impaired 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.

## 3. Summary of significant accounting policies (continued)

### 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. Internal-use software developed internally is capitalized when it meets specific capitalization criteria related to technical and financial feasibility and when the Company demonstrates its ability and intention to use it. Internal-use software, 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 |

### 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 value of PP&E and intangible assets not available for use and goodwill is 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 of disposal and its value in use ("VIU") to the Company. The Company mainly 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 of disposal, 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.

Goodwill acquired through business combinations is allocated to the CGU or group of CGUs that are expected to benefit from synergies of the related business combination. The group of CGUs that benefit from the synergies correspond to the Company's operating segments. For goodwill impairment testing purposes, the group of CGUs that represent the lowest level within the Company at which management monitors goodwill is the operating segment level.

The recoverable amount of each segment has been determined based on the VIU calculation which includes estimates about their future financial performance based on cash flows approved by management covering a period of five years as the Company generates revenue mainly through long-term contracts. 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 environment and its resulting impact on expected growth and discount rates. The cash flow projections reflect management's expectations of the segment's operating performance and growth prospects in the operating segment's market. The discount rate applied to an operating segment is the weighted average cost of capital ("WACC"). Management considers factors such as country risk premium, risk-free rate, size premium and cost of debt to derive the WACC. Impairment losses relating to goodwill cannot be reversed in future periods.

## 3. Summary of significant accounting policies (continued)

### IMPAIRMENT OF PP&E, INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

#### Impairment testing (continued)

For impaired assets, other than 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.

### LONG-TERM FINANCIAL ASSETS

Long-term investments presented in long-term financial assets are comprised of bonds which 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 the excess of the cost of the acquisition over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition-date fair values. The fair value allocated to tangible and intangible assets acquired and liabilities assumed are based on assumptions of management. These assumptions include the future expected cash flows arising from the intangible assets identified as client relationships, business solutions, and trademarks. The preliminary goodwill recognized is composed of the future economic value associated to acquired work force and synergies with the Company's operations which are primarily due to reduction of costs and new business opportunities. The determination of fair value involves making estimates relating to acquired intangible assets, PP&E, litigation, provision for estimated losses on revenue-generating contracts, other onerous contracts and contingency reserves. Estimates include the forecasting of future cash flows and discount rates. 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 is available, not to exceed 12 months. All other subsequent changes are recognized in the consolidated statements of earnings.

### 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 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.

## 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 statement 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 income tax assets and liabilities are recognized in earnings, other comprehensive income or in equity based on the classification of the item to which they relate.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Once this assessment is made, the Company considers the analysis of forecast and future tax planning strategies. Such estimates are made based on the forecast by jurisdiction on an undiscounted basis. Management considers factors such as the number of years to include in the forecast period, the history of the taxable profits and availability of tax strategies.

The Company is subject to taxation in numerous jurisdictions and there are transactions and calculations for which the ultimate tax determination is uncertain. 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 provision for uncertain tax positions is made using the best estimate of the amount expected to be paid based on qualitative assessment of all relevant factors.

### 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. The Company also records restructuring provisions mainly related to business acquisitions.

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.

The Company accrues provisions for onerous leases 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.

The accrued litigation and legal claim provisions are based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Estimates include the period in which the underlying cause of the claim occurred and the degree of probability of an unfavourable outcome.

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 provision is determined using the present value of the estimated future cash outflows.

Restructuring provisions, consisting of severances, are recognized when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, an appropriate timeline and has been communicated.

## 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. Unrealized and realized 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 on translating financial statements of foreign operations are reported in other comprehensive income.

For 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 exchange rates for the period. Translation exchange gains or losses of such operations are reflected in the consolidated statements of earnings.

### SHARE-BASED PAYMENTS

#### Equity-settled plans

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 each reporting date. For stock options, the estimation of fair value requires making assumptions for the most appropriate inputs to the valuation model including the expected life of the option and expected stock price volatility. The fair values, adjusted for expectations related to performance conditions and for expected forfeitures, 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 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.

#### Share purchase plan

The Company operates a share purchase plan for eligible employees. Under this plan, the Company matches the contributions made by employees up to a maximum percentage of the employee's salary. The Company contributions to the plan are recognized in salaries and other member costs within cost of services, selling and administrative.

#### Cash-settled deferred share units

The Company operates a deferred share unit ("DSU") plan to compensate the members of the Board of Directors.

The Company measures the compensation granted at the fair value of the liability. The fair value of the liability is established by dividing the total fee payable by the closing price of Class A subordinate shares of the Company on the TSX on the day immediately preceding the fee payment date. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date using the market value of the shares issued. The DSU liability is presented in accrued compensation and fluctuations in fair value are recognized in salaries and other member costs within cost of services, selling and administrative.

## 3. Summary of significant accounting policies (continued)

**FINANCIAL INSTRUMENTS**

All financial instruments are initially measured at their fair values. Subsequently, financial assets classified as loans and receivables and financial liabilities classified as other liabilities are measured at their amortized cost using the effective interest rate method. Financial assets and liabilities classified as fair value through earnings ("FVTE") and classified as available for sale are measured subsequently at their fair values.

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. Gains and losses related to periodic revaluations of financial assets and liabilities designated as FVTE are recorded in the consolidated statements of earnings.

The unrealized gains and losses, net of applicable income taxes, on available for sale assets 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 and derivative financial instruments (unless they qualify for hedge accounting, refer to "Derivative Financial Instruments and Hedging Transactions"). In addition, deferred compensation plan assets were designated by management as FVTE upon initial recognition as this reflected management's investment strategy.

**Loans and receivables**

Trade accounts receivable, cash included in funds held for clients and long-term receivables.

**Available for sale**

Long-term bonds included in funds held for clients and in long-term investments.

**Other liabilities**

Accounts payable and accrued liabilities, accrued compensation, long-term debt and clients' funds obligations.

## 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.

### 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 date. The resulting gain or loss is recognized in the consolidated statements of earnings unless the derivative is designated and is 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.

### NET INVESTMENT HEDGES

**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 other comprehensive income is transferred to earnings as part of the gain or loss on disposal.

## 3. Summary of significant accounting policies (continued)

### DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

### CASH FLOW HEDGES

**Cash flow hedges on future revenue**

The Company has entered into various foreign currency forward contracts to hedge the variability in the foreign currency exchange rates.

**Cash flow hedge 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 above hedges were documented as cash flow hedges and no component of the derivative contracts' fair value are excluded from the assessment and measurement of hedge effectiveness. The effective portion of the change in fair value of the derivative financial 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 when the hedged element is recognized in the consolidated statements of earnings.

### FAIR VALUE HEDGES

**Fair value hedges on Senior U.S. unsecured notes**

The Company entered into interest rate swaps to hedge the fair value exposure of the issued fixed rate Senior U.S. unsecured notes. Under the interest rate swaps, the Company receives a fixed rate of interest and pays interest at a variable rate on the notional amount.

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.

Derivative financial instruments used as hedging items are recorded at fair value in the consolidated balance sheets under current derivative financial instruments, long-term financial assets or long-term derivative financial instruments. Valuation models, such as discounted cash flow analysis using observable market inputs, are utilized to determine the fair values of the derivative financial instruments.

## 3. Summary of significant accounting policies (continued)

### EMPLOYEE BENEFITS

The Company operates post-employment benefit plans of both a defined contribution and defined benefit nature.

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 by independent actuaries using the projected unit credit method. The retirement benefits 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. 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.

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 long-term financial assets in the consolidated balance sheets.

The actuarial valuations used to determine the cost of defined benefit pension plans and their present value involve making assumptions about discount rates, future salary and pension increases, inflation rates and mortality. Any changes in these assumptions will impact the carrying amount of pension obligations. In determining the appropriate discount rate management considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The current service cost is recognized in the consolidated statements of earnings as an employee benefit expense. The net interest cost calculated by applying the discount rate to the net defined benefit liability or asset is recognized as net finance cost or income. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statements of earnings. The gains or losses on the settlement of a defined benefit plan are recognized when the settlement occurs.

Remeasurements include actuarial gains and losses, changes in the effect of the asset ceiling and the return on plan assets, excluding the amount included in net interest on the net defined liability or assets. Remeasurements are charged or credited to other comprehensive income in the period in which they arise.

## 3. Summary of significant accounting policies (continued)

### A) NEW STANDARDS AND AMENDMENTS ADOPTED

The following new and amended standards have been adopted by the Company effective October 1, 2013:

**IFRS 10 - Consolidated Financial Statements**

The new standard 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. The adoption of IFRS 10 did not result in any significant impact on the Company's consolidated financial statements.

**IFRS 12 - Disclosure of Interests in Other Entities**

The new standard provides guidance on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and structured entities. The standard requires disclosure of the nature and risks associated with the Company's interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The adoption of IFRS 12 did not result in any significant impact on the Company's consolidated financial statements.

**IFRS 13 - Fair Value Measurement**

The new standard provides guidance for fair value measurements by providing a definition of fair value and a single source of fair value measurement and disclosure requirements. IFRS 13 applies when other IFRS standards require or permit fair value measurements. The adoption of IFRS 13 did not result in any significant impact on the Company's consolidated financial statements other than to give rise to additional disclosures.

**IAS 1 - Presentation of Financial Statements**

The amendment requires grouping together items within the statement of comprehensive income that may be reclassified to the statement of earnings. As a result, the Company has grouped items within its consolidated statements of comprehensive income and accumulated other comprehensive income by items that will and will not be reclassified subsequently to the consolidated statements of earnings.

**IAS 19 - Employee Benefits**

Two amendments of IAS 19 have been adopted by the Company.

The first amendment requires to adjust the calculation of the financing cost component of defined benefit plans and to enhance disclosure requirements. As a result, the Company calculated a net interest expense or income on the net defined benefit liability or asset. The net interest on the defined benefit liability or asset replaces the interest cost on the defined benefit obligation and the expected return on plan assets. The adoption of IAS 19 did not result in any significant impact on the Company's consolidated financial statements, other than to give rise to additional disclosures.

The second amendment permits the recognition of certain contributions from employees as a reduction of the service cost in the period in which the related service is rendered. The amendment applies to contributions from employees set out in the formal terms of the plan, linked to service and independent of the number of years of service. The Company has early adopted the amendment of IAS 19 which is effective on or after July 1, 2014. The amendment did not result in any significant impact on the Company's consolidated financial statements.

## 3. Summary of significant accounting policies (continued)

### B) FUTURE ACCOUNTING STANDARD CHANGES

The following standards have been issued but are not yet effective:

**IFRS 15 - Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers”, to specify how and when to recognize revenue as well as requiring the provision of more informative and relevant disclosures. IFRS 15 supersedes IAS 18, “Revenue”, IAS 11, “Construction Contracts”, and other revenue related interpretations. The standard will be effective on October 1, 2017 for the Company with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

**IFRS 9 - Financial Instruments**

In July 2014, the IASB amended IFRS 9, “Financial Instruments”, to bring together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, “Financial Instruments: Recognition and Measurement”. The standard supersedes all previous versions of IFRS 9 and will be effective on October 1, 2018 for the Company with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

## 4. Cash and cash equivalents

| | As at September 30, 2014 | As at September 30, 2013 |
|---|---|---|
| | $ | $ |
| Cash | **265,715** | 105,677 |
| Cash equivalents | **270,000** | 522 |
| | **535,715** | 106,199 |

## 5. Accounts receivable

| | As at September 30, 2014 | As at September 30, 2013 |
|---|---|---|
| | $ | $ |
| Trade | **873,466** | 1,018,990 |
| Other[1] | **162,602** | 186,635 |
| | **1,036,068** | 1,205,625 |

[1] Other accounts receivable include refundable tax credits on salaries related to the Québec Development of E-Business program, research and development tax credits and other job and economic growth creation programs available. The tax credits represent approximately $113,511,000 and $110,615,000 of other accounts receivable in 2014 and 2013, 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. For all eligible salaries incurred after June 4, 2014, the refundable tax credit was reduced to 24% and the maximum of $20,000 per year was maintained until December 31, 2025.

## 6. Funds held for clients

| | As at September 30, 2014 | As at September 30, 2013 |
|---|---|---|
| | $ | $ |
| Cash | **97,577** | 34,653 |
| Long-term bonds | **198,177** | 187,816 |
| | **295,754** | 222,469 |

## 7. Property, plant and equipment

| | Land and buildings | Leasehold improvements | Furniture, fixtures and equipment | Computer equipment | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Cost** | | | | | |
| As at September 30, 2013 | 62,077 | 193,221 | 140,970 | 485,736 | 882,004 |
| Additions/transfers | 8,962 | 10,630 | 19,926 | 155,939 | 195,457 |
| Disposals/transfers | — | (6,932) | (38,420) | (34,984) | (80,336) |
| Foreign currency translation adjustment | 1,318 | 8,323 | 8,757 | 16,141 | 34,539 |
| **As at September 30, 2014** | **72,357** | **205,242** | **131,233** | **622,832** | **1,031,664** |
| **Accumulated depreciation** | | | | | |
| As at September 30, 2013 | 6,670 | 99,015 | 56,272 | 244,904 | 406,861 |
| Depreciation expense (Note 24) | 3,275 | 29,669 | 26,811 | 127,131 | 186,886 |
| Disposals/transfers | — | (6,920) | (35,105) | (24,077) | (66,102) |
| Foreign currency translation adjustment | 197 | 3,617 | 5,626 | 7,699 | 17,139 |
| **As at September 30, 2014** | **10,142** | **125,381** | **53,604** | **355,657** | **544,784** |
| **Net carrying amount as at September 30, 2014** | **62,215** | **79,861** | **77,629** | **267,175** | **486,880** |

| | Land and buildings | Leasehold improvements | Furniture, fixtures and equipment | Computer equipment | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Cost | | | | | |
| As at September 30, 2012 | 56,638 | 182,553 | 134,071 | 413,613 | 786,875 |
| Additions/transfers | 4,038 | 16,197 | 18,570 | 121,060 | 159,865 |
| Disposals/transfers | — | (8,276) | (13,941) | (60,767) | (82,984) |
| Foreign currency translation adjustment | 1,401 | 2,747 | 2,270 | 11,830 | 18,248 |
| As at September 30, 2013 | 62,077 | 193,221 | 140,970 | 485,736 | 882,004 |
| Accumulated depreciation | | | | | |
| As at September 30, 2012 | 5,240 | 76,431 | 40,992 | 182,732 | 305,395 |
| Depreciation expense (Note 24) | 1,467 | 28,299 | 27,788 | 118,133 | 175,687 |
| Disposals/transfers | — | (6,393) | (12,730) | (58,871) | (77,994) |
| Foreign currency translation adjustment | (37) | 678 | 222 | 2,910 | 3,773 |
| As at September 30, 2013 | 6,670 | 99,015 | 56,272 | 244,904 | 406,861 |
| Net carrying amount as at September 30, 2013 | 55,407 | 94,206 | 84,698 | 240,832 | 475,143 |

## 7. Property, plant and equipment (continued)

Property, plant and equipment include the following assets acquired under finance leases:

| | As at September 30, 2014 | | | As at September 30, 2013 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation | Net carrying amount | Cost | Accumulated depreciation | Net carrying amount |
| | $ | $ | $ | $ | $ | $ |
| Furniture, fixtures and equipment | 15,522 | 8,744 | 6,778 | 15,762 | 7,218 | 8,544 |
| Computer equipment | 93,375 | 61,783 | 31,592 | 105,112 | 66,117 | 38,995 |
| | 108,897 | 70,527 | 38,370 | 120,874 | 73,335 | 47,539 |

## 8. Contract costs

| | As at September 30, 2014 | | | As at September 30, 2013 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortization | Net carrying amount | Cost | Accumulated amortization | Net carrying amount |
| | $ | $ | $ | $ | $ | $ |
| Transition costs | 356,704 | 209,186 | 147,518 | 291,305 | 165,705 | 125,600 |
| Incentives | 101,291 | 92,269 | 9,022 | 103,058 | 88,186 | 14,872 |
| | 457,995 | 301,455 | 156,540 | 394,363 | 253,891 | 140,472 |

## 9. Intangible assets

| | **Internal-use software acquired** | **Internal-use software internally developed** | **Business solutions acquired** | **Business solutions internally developed** | **Software licenses** | **Client relationships and other** | **Total** |
|---|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Cost** | | | | | | | |
| As at September 30, 2013 | 105,002 | 45,371 | 123,850 | 260,072 | 130,448 | 862,004 | 1,526,747 |
| Additions/transfers | 4,226 | 6,499 | 114 | 34,759 | 41,790 | — | 87,388 |
| Disposals/transfers | (12,170) | (1,307) | (603) | (1,984) | (12,449) | — | (28,513) |
| Foreign currency translation adjustment | 5,628 | 173 | 3,354 | 17,639 | 4,672 | 34,355 | 65,821 |
| **As at September 30, 2014** | **102,686** | **50,736** | **126,715** | **310,486** | **164,461** | **896,359** | **1,651,443** |
| **Accumulated amortization** | | | | | | | |
| As at September 30, 2013 | 63,211 | 40,184 | 84,644 | 164,963 | 82,885 | 382,695 | 818,582 |
| Amortization expense (Note 24) | 14,264 | 2,996 | 12,568 | 21,467 | 26,874 | 114,523 | 192,692 |
| Disposals/transfers | (12,170) | (1,118) | (121) | (1,980) | (12,197) | — | (27,586) |
| Foreign currency translation adjustment | 4,142 | 81 | 2,687 | 10,635 | 3,358 | 16,778 | 37,681 |
| **As at September 30, 2014** | **69,447** | **42,143** | **99,778** | **195,085** | **100,920** | **513,996** | **1,021,369** |
| **Net carrying amount as at September 30, 2014** | **33,239** | **8,593** | **26,937** | **115,401** | **63,541** | **382,363** | **630,074** |

| | Internal-use software acquired | Internal-use software internally developed | Business solutions acquired | Business solutions internally developed | Software licenses | Client relationships and other | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Cost | | | | | | | |
| As at September 30, 2012 | 87,282 | 43,237 | 118,094 | 233,261 | 175,932 | 819,596 | 1,477,402 |
| Additions/transfers | 20,898 | 2,134 | 4,826 | 23,781 | 27,008 | — | 78,647 |
| Disposals/transfers | (5,824) | — | (237) | (4,404) | (74,329) | (1,382) | (86,176) |
| Foreign currency translation adjustment | 2,646 | — | 1,167 | 7,434 | 1,837 | 43,790 | 56,874 |
| As at September 30, 2013 | 105,002 | 45,371 | 123,850 | 260,072 | 130,448 | 862,004 | 1,526,747 |
| Accumulated amortization | | | | | | | |
| As at September 30, 2012 | 42,117 | 36,100 | 72,977 | 147,340 | 132,629 | 258,460 | 689,623 |
| Amortization expense (Note 24) | 25,134 | 4,084 | 11,097 | 18,205 | 20,956 | 114,505 | 193,981 |
| Disposals/transfers | (5,608) | — | (493) | (4,396) | (72,241) | (1,382) | (84,120) |
| Foreign currency translation adjustment | 1,568 | — | 1,063 | 3,814 | 1,541 | 11,112 | 19,098 |
| As at September 30, 2013 | 63,211 | 40,184 | 84,644 | 164,963 | 82,885 | 382,695 | 818,582 |
| Net carrying amount as at September 30, 2013 | 41,791 | 5,187 | 39,206 | 95,109 | 47,563 | 479,309 | 708,165 |

All intangible assets are subject to amortization.

## 10. Other long-term assets

| | As at September 30, 2014 | As at September 30, 2013 |
|---|---|---|
| | $ | $ |
| Insurance contracts held to fund defined benefit pension and life assurance arrangements - reimbursement rights (Note 17) | **22,415** | 20,856 |
| Retirement benefits assets (Note 17) | **8,737** | 9,175 |
| Deferred financing fees | **4,474** | 3,856 |
| Long-term maintenance agreements | **15,004** | 6,653 |
| Deposits | **11,773** | 9,960 |
| Other | **11,755** | 7,929 |
| | **74,158** | 58,429 |

## 11. Long-term financial assets

| | As at September 30, 2014 | As at September 30, 2013 |
|---|---|---|
| | $ | $ |
| Deferred compensation plan assets (Note 31) | **31,151** | 24,752 |
| Long-term investments | **30,689** | 20,333 |
| Long-term receivables | **7,403** | 4,289 |
| Derivative financial assets (Note 31) | **14,834** | 2,518 |
| | **84,077** | 51,892 |

## 12. Goodwill

The Company completed the annual impairment test as at September 30, 2014 and did not identify any impairment.

The variations in goodwill were as follows:

| | U.S. | NSESA | Canada | France | U.K. | CEE | Asia Pacific | Total |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| As at September 30, 2013 | 1,370,399 | 1,274,667 | 1,111,702 | 805,891 | 827,291 | 715,011 | 288,829 | 6,393,790 |
| Foreign currency translation adjustment | 121,513 | (1,844) | — | 14,328 | 64,599 | 7,985 | 10,952 | 217,533 |
| **As at September 30, 2014** | **1,491,912** | **1,272,823** | **1,111,702** | **820,219** | **891,890** | **722,996** | **299,781** | **6,611,323** |

## 12. Goodwill (continued)

### Key assumptions in goodwill impairment testing

The key assumptions for the CGUs are disclosed in the following table:

| **As at September 30, 2014** | **U.S.** | **NSESA** | **Canada** | **France** | **U.K.** | **CEE** | **Asia Pacific** |
|---|---|---|---|---|---|---|---|
| | **%** | **%** | **%** | **%** | **%** | **%** | **%** |
| **Assumptions** | | | | | | | |
| **Pre-tax WACC** | 11.2 | 12.2 | 9.0 | 10.6 | 10.2 | 10.6 | 21.7 |
| **Long-term growth rate of net operating cash flows**[1] | 2.0 | 1.9 | 2.0 | 1.9 | 1.8 | 1.6 | 2.0 |

| As at September 30, 2013 | U.S. | NSESA | Canada | France | U.K. | CEE | Asia Pacific |
|---|---|---|---|---|---|---|---|
| | % | % | % | % | % | % | % |
| Assumptions | | | | | | | |
| Pre-tax WACC | 10.0 | 12.5 | 7.6 | 10.8 | 10.7 | 10.5 | 20.1 |
| Long-term growth rate of net operating cash flows[1] | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |

[1] The long-term growth rate is based on published industry research.

## 13. Provisions

| | **Onerous leases[1]** | **Litigations and claims[2]** | **Decommissioning liabilities[3]** | **Restructuring[4]** | **Total** |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| As at September 30, 2013 | 94,022 | 65,418 | 54,256 | 118,389 | 332,085 |
| Additional provisions | 14,118 | 3,351 | 1,770 | 100,354 | 119,593 |
| Utilized amounts | (44,174) | (14,133) | (1,560) | (122,130) | (181,997) |
| Reversals of unused amounts | (24,275) | (24,984) | (12,574) | (6,081) | (67,914) |
| Discount rate adjustment and imputed interest | 605 | — | 525 | — | 1,130 |
| Foreign currency translation adjustment | 5,353 | 1,941 | 2,364 | 1,340 | 10,998 |
| **As at September 30, 2014** | **45,649** | **31,593** | **44,781** | **91,872** | **213,895** |
| **Current portion** | **17,203** | **31,593** | **8,542** | **85,971** | **143,309** |
| **Non-current portion** | **28,446** | **—** | **36,239** | **5,901** | **70,586** |

| | Onerous leases[1] | Litigations and claims[2] | Decommissioning liabilities[3] | Restructuring[4] | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| As at September 30, 2012 | 88,670 | 91,669 | 53,366 | 143,120 | 376,825 |
| Additional provisions | 36,687 | — | 1,722 | 249,799 | 288,208 |
| Utilized amounts | (34,490) | (31,332) | (2,375) | (284,106) | (352,303) |
| Reversals of unused amounts | (1,683) | — | (1,958) | — | (3,641) |
| Discount rate adjustment and imputed interest | 646 | — | 572 | — | 1,218 |
| Foreign currency translation adjustment | 4,192 | 5,081 | 2,929 | 9,576 | 21,778 |
| As at September 30, 2013 | 94,022 | 65,418 | 54,256 | 118,389 | 332,085 |
| Current portion | 41,668 | 65,418 | 7,735 | 108,253 | 223,074 |
| Non-current portion | 52,354 | — | 46,521 | 10,136 | 109,011 |

[1] As at September 30, 2014, the timing of cash outflows relating to these provisions ranges between one and nine years (one and ten years as at September 30, 2013) and was discounted at a weighted average rate of 1.35% (1.15% as at September 30, 2013). For the year ended September 30, 2014, a net amount of $1,503,000 of integration costs ($31,899,000 for the year ended September 30, 2013) was accounted for in the provision for onerous leases (Note 26b). The reversals of unused amounts are mostly due to the sublease in the period of previously vacated premises, as well as favorable lease terminations.

[2] As at September 30, 2014, litigations and claims include provisions related to tax exposure (other than those related to income tax), contractual disputes, employee claims and other of $15,661,000, $7,433,000 and $8,499,000, respectively (as at September 30, 2013, $34,409,000, $15,434,000 and $15,575,000, respectively). The reversals of unused amounts are mostly due to the favorable settlement of tax exposures and contractual disputes.

[3] As at September 30, 2014, the decommissioning liability was based on the expected cash flows of $45,834,000 ($56,454,000 as at September 30, 2013) and was discounted at a weighted average rate of 0.94% (0.93% as at September 30, 2013). The timing of the settlement of these obligations ranges between one and nine years as at September 30, 2014 (one and ten years as at September 30, 2013).

[4] For the year ended September 30, 2014, a net amount of $94,273,000 of integration costs ($249,799,000 for the year ended September 30, 2013) was accounted for in the provision for restructuring (Note 26b).

## 14. Long-term debt

| | As at September 30, 2014 | As at September 30, 2013 |
|---|---|---|
| | $ | $ |
| Senior U.S. unsecured notes repayable by tranches of $95,277 (U.S.$85,000) in 2016, $156,926 (U.S.$140,000) in 2018 and $280,225 (U.S.$250,000) in 2021[1] | **522,220** | 475,787 |
| Senior unsecured notes repayable by tranches of $44,836 (U.S.$40,000) in 2019, $61,650 (U.S.$55,000) in 2021, $336,270 (U.S.$300,000) in 2024, $392,315 (U.S. $350,000) in 7 yearly payments of U.S.$50,000 from 2018 to 2024 and $120,326, (€85,000) in 2021[2] | **954,317** | — |
| Unsecured committed revolving credit facility[3] | **—** | 254,818 |
| Unsecured committed term loan credit facility[4] | **1,001,752** | 1,974,490 |
| Obligations repayable in blended monthly installments maturing at various dates until 2019, bearing a weighted average interest rate of 3.01% (3.27% in 2013) | **117,680** | 79,446 |
| Obligations under finance leases repayable in blended monthly installments maturing at various dates until 2019, bearing a weighted average interest rate of 3.66% (3.46% in 2013) | **61,698** | 67,928 |
| Other long-term debt | **22,036** | 14,081 |
| | **2,679,703** | 2,866,550 |
| Current portion | **80,367** | 534,173 |
| | **2,599,336** | 2,332,377 |

[1] As at September 30, 2014, an amount of $532,428,000 was drawn, less fair value adjustments relating to interest rate swaps designated as fair value hedges and financing fees for a total of $10,208,000. The private placement financing with U.S. institutional investors is comprised of three tranches of Senior U.S. unsecured notes, with a weighted average maturity of 5.4 years and a weighted average interest rate of 4.57%. The Senior U.S. unsecured notes contain covenants that require the Company to maintain certain financial ratios (Note 32). As at September 30, 2014, the Company was in compliance with these covenants.

[2] During the year ended September 30, 2014, the Company signed a private placement financing. As at September 30, 2014, an amount of $955,397,000 was drawn, less financing fees of $1,080,000. The private placement is comprised of four tranches of Senior U.S. unsecured notes and one tranche of Senior euro unsecured note, with a weighted average maturity of 7.9 years and a weighted average interest rate of 3.62%. The Senior unsecured notes contain covenants that require the Company to maintain certain financial ratios (Note 32). As at September 30, 2014, the Company was in compliance with these covenants.

[3] In the first quarter of 2014, the unsecured committed revolving credit facility of $1,500,000,000 was extended by one year to December 2017. On July 25, 2014, the facility was further extended by another year to December 2018 and can be further extended annually. All other terms and conditions including interest rates and banking covenants remain unchanged.

Under the four-year unsecured committed revolving credit facility, amounts can be drawn at banker's acceptance, LIBOR or Canadian prime; plus a variable margin that is determined based on the Company's leverage ratio. As at September 30, 2014, no amount was drawn upon this facility. Also, an amount of $36,720,000 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, 2014, the Company was in compliance with these covenants.

[4] As at September 30, 2014, an amount of $1,005,332,000 was drawn, less financing fees of $3,580,000. The term loan credit expires on May 2016. The term loan credit facility bears 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 ratio. As at September 30, 2014, the margin paid was 1.5% for LIBOR and Banker's acceptance and 0.50% 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, 2014, the Company was in compliance with these covenants.

During the year ended September 30, 2014, the Company repaid in advance, without penalty, the May 2014 and the May 2015 maturing tranches of the unsecured committed term loan credit facility for a total amount of $486,745,000 and $494,712,000, respectively. Following these repayments, the Company settled related floating-to-fixed interest rate swaps with notional amounts of $450,000,000 and $300,000,000 and related floating-to-floating cross currency swap with a notional amount of $184,900,000 (Note 31).

## 14. Long-term debt (continued)

Principal repayments on long-term debt, excluding fair value hedges and financing fees, over the forthcoming years are as follows:

| | |
|---|---:|
| | $ |
| Less than one year | 48,048 |
| Between one and two years | 1,043,394 |
| Between two and five years | 456,274 |
| Beyond five years | 1,085,157 |
| Total principal payments on long-term debt | 2,632,873 |

| Minimum finance lease payments are as follows: | Principal | Interest | Payment |
|---|---:|---:|---:|
| | $ | $ | $ |
| Less than one year | 32,319 | 1,494 | 33,813 |
| Between one and two years | 20,477 | 846 | 21,323 |
| Between two and five years | 8,902 | 359 | 9,261 |
| Beyond five years | — | — | — |
| Total minimum finance lease payments | 61,698 | 2,699 | 64,397 |

## 15. Other long-term liabilities

| | **As at September 30, 2014** | As at September 30, 2013 |
|---|---:|---:|
| | **$** | $ |
| Deferred revenue | **151,989** | 225,482 |
| Estimated losses on revenue-generating contracts[1] | **42,804** | 78,390 |
| Deferred compensation plan liabilities (Note 17) | **31,633** | 25,253 |
| Deferred rent | **67,169** | 85,858 |
| Other | **14,792** | 19,670 |
| | **308,387** | 434,653 |

[1] The current portion of estimated losses on revenue-generating contracts included in accounts payable and accrued liabilities is $84,747,000 as at September 30, 2014 ($138,700,000 at September 30, 2013).

## 16. Income taxes

| | Year ended September 30 | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |
| Current income tax expense | | |
| Current income tax expense in respect of the current year | **250,403** | 157,822 |
| Adjustments recognized in the current year in relation to the income tax expense of prior years | **(33,956)** | (20,734) |
| Total current income tax expense | **216,447** | 137,088 |
| Deferred income tax expense | | |
| Deferred income tax expense relating to the origination and reversal of temporary differences | **60,488** | 36,253 |
| Deferred income tax expense relating to changes in tax rates | **(1,520)** | 27,708 |
| Adjustments recognized in the current year in relation to the deferred income tax expense of prior years | **23,948** | (818) |
| Recognition of previously unrecognized temporary differences | **(28,556)** | (28,429) |
| Total deferred income tax expense | **54,360** | 34,714 |
| Total income tax expense | **270,807** | 171,802 |

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:

| | Year ended September 30 | |
|---|---|---|
| | **2014** | 2013 |
| | **%** | % |
| Company's statutory tax rate | **26.9** | 26.9 |
| Effect of foreign tax rate differences | **(0.3)** | (1.5) |
| Final determination from agreements with tax authorities and expirations of statutes of limitations | **(0.9)** | (3.4) |
| Non-deductible and tax exempt items | **0.2** | 1.0 |
| Recognition of previously unrecognized temporary differences | **(2.5)** | (4.5) |
| Effect of integration-related costs | **(0.1)** | 2.9 |
| Minimum income tax charge | **0.8** | 1.6 |
| Impact on future tax assets and liabilities resulting from tax rate changes | **(0.1)** | 4.4 |
| Effective income tax rate | **24.0** | 27.4 |

## 16. Income taxes (continued)

The continuity of deferred income tax balances is as follows:

| | **As at September 30, 2013** | **Recognized in earnings** | **Recognized in other comprehensive income** | **Recognized in equity** | **Foreign currency translation adjustment and other** | **As at September 30, 2014** |
|---|---|---|---|---|---|---|
| | | **$** | **$** | **$** | **$** | **$** |
| Accounts payable, accrued liabilities and other long-term liabilities | 69,497 | 6,685 | — | — | 3,789 | **79,971** |
| Tax benefits on losses carried forward | 300,536 | (44,065) | — | — | 12,663 | **269,134** |
| Accrued compensation | 68,908 | (5,356) | — | (9,542) | 3,396 | **57,406** |
| Retirement benefits obligations | 21,958 | 726 | 12,940 | — | (309) | **35,315** |
| Allowance for doubtful accounts | 5,274 | (1,445) | — | — | (2) | **3,827** |
| PP&E, contract costs, intangible assets and other long-term assets | (150,418) | (2,432) | — | — | (7,742) | **(160,592)** |
| Work in progress | (43,217) | (9,762) | — | — | (3,089) | **(56,068)** |
| Goodwill | (41,326) | (2,798) | — | — | (2,633) | **(46,757)** |
| Refundable tax credits on salaries | (21,821) | 3,855 | — | — | — | **(17,966)** |
| Cash flow hedges | 4,173 | (1,424) | (5,247) | — | 81 | **(2,417)** |
| Other liabilities | (676) | 1,656 | 2,182 | — | 2,429 | **5,591** |
| Deferred income taxes, net | **212,888** | **(54,360)** | **9,875** | **(9,542)** | **8,583** | **167,444** |

| | As at September 30, 2012 | Recognized in earnings | Recognized in other comprehensive income | Recognized in equity | Foreign currency translation adjustment and other | As at September 30, 2013 |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Accounts payable, accrued liabilities and other long-term liabilities | 96,992 | (27,724) | — | — | 229 | 69,497 |
| Tax benefits on losses carried forward | 289,323 | (10,920) | — | — | 22,133 | 300,536 |
| Accrued compensation | 38,518 | 12,992 | — | 15,232 | 2,166 | 68,908 |
| Retirement benefits obligations | 17,448 | (2,750) | 7,749 | — | (489) | 21,958 |
| Allowance for doubtful accounts | 2,046 | 3,228 | — | — | — | 5,274 |
| PP&E, contract costs, intangible assets and other long-term assets | (162,950) | 17,932 | — | — | (5,400) | (150,418) |
| Work in progress | (25,382) | (17,107) | — | — | (728) | (43,217) |
| Goodwill | (35,244) | (4,644) | — | — | (1,438) | (41,326) |
| Refundable tax credits on salaries | (17,783) | (4,038) | — | — | — | (21,821) |
| Cash flow hedges | 4,379 | (696) | (217) | — | 707 | 4,173 |
| Other liabilities | (6,110) | (987) | 4,479 | — | 1,942 | (676) |
| Deferred income taxes, net | 201,237 | (34,714) | 12,011 | 15,232 | 19,122 | 212,888 |

The deferred income taxes are presented as follows in the consolidated balance sheets:

| | **As at September 30, 2014** | As at September 30, 2013 |
|---|---|---|
| | **$** | $ |
| Deferred tax assets | **323,416** | 368,217 |
| Deferred tax liabilities | **(155,972)** | (155,329) |
| Deferred income taxes, net | **167,444** | 212,888 |

## 16. Income taxes (continued)

As at September 30, 2014, the Company had $1,718,494,000 ($1,920,600,000 as at September 30, 2013) in tax losses carried forward and other temporary differences, of which $152,700,000 ($231,199,000 as at September 30, 2013) expire at various dates up to 2032 and $1,565,794,000 ($1,689,401,000 as at September 30, 2013) have no expiry dates. The Company recognized a deferred tax asset of $413,134,000 ($460,800,000 as at September 30, 2013) on the losses carried forward and other temporary differences and recognized a valuation allowance of $144,000,000 ($160,264,000 as at September 30, 2013). The resulting net deferred tax asset of $269,134,000 ($300,536,000 as at September 30, 2013) is the amount that is more likely than not to be realized, based on deferred tax liabilities reversal and future taxable profits.

As at September 30, 2014, the Company has not recorded deferred tax liabilities on undistributed earnings of its foreign subsidiaries when they are considered indefinitely reinvested, unless it is probable that these temporary differences will reverse. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to taxes. The temporary differences associated with investments in subsidiaries for which a deferred tax liability has not been recognized amount to $1,434,101,000 ($934,176,000 as at September 30, 2013).

The cash and cash equivalents held by foreign subsidiaries were $356,147,000 as at September 30, 2014 ($16,400,000 as at September 30, 2013). The tax implications and impact on the Company's liquidities related to its repatriation will not affect the Company's liquidity.

## 17. Employee benefits

The Company operates various post-employment plans, including defined benefit and defined contribution pension plans as well as other benefit plans for its employees.

### DEFINED BENEFIT PLANS

The Company operates defined benefit pension plans primarily for the benefit of employees in U.K., Germany, France, with smaller plans in other countries. The benefits are based on pensionable salary and years of service. U.K. and Germany plans are funded with the assets held in separate funds. The plan in France is unfunded.

The defined benefit plans expose the Company to interest risk, inflation risk, longevity risk, currency risk and market investment risk.

The following description focuses mainly on plans registered in U.K., Germany and France.

### U.K.

In U.K., the Company has three defined benefit pension plans, CMG U.K. Pension Scheme, Logica U.K. Pension & Life Assurance Scheme and Logica Defined Benefit Pension Plan.

The CMG U.K. Pension scheme is closed to new members and for accrual. The Logica U.K. Pension & Life Assurance Scheme is still open but only for employees who come from the civil service with protected pensions. Logica Defined Benefit Pension Plan was created to mirror the Electricity Industry pension scheme and was created for employees that worked for National Grid and Welsh Water with protected benefits.

Both the Logica U.K. Pension & Life Assurance Scheme and Logica Defined Benefit Pension Plan are employer and employee based contribution plans.

## 17. Employee benefits (continued)

### DEFINED BENEFIT PLANS (CONTINUED)

#### U.K. (CONTINUED)

The trustees are the custodians of the defined benefit pension plans and are responsible for the plan administration, including investment strategies. The trustees review periodically the investment and the asset allocation policies. As such, CMG U.K. Pension Scheme policy is to target an allocation of 45% to return-seeking assets such as equities and 55% to matching assets such as bonds; Logica Defined Benefit Pension plan policy is to invest 25% of the Plan's assets in equities and 75% in bonds; Logica U.K. Pension & Life Assurance Scheme target is to invest 20% of the Scheme's assets in equities and 80% in bonds. CMG U.K. Pension Scheme investment policy is currently being revised.

U.K. Pensions Act 2004 requires that full formal actuarial valuations are carried out at least every three years to determine the contributions that the Company should pay in order for the plan to meet its statutory objective, taking into account the assets already held. In the interim years, the trustees need to obtain estimated funding updates unless the scheme has less than 100 members in total.

The latest funding actuarial valuations of the CMG U.K. Pension Scheme as well as the Logica U.K. Pension & Life Assurance Scheme were performed in September 2012 and reported a deficit of $112,209,000 for the CMG U.K. Pension Scheme and $4,000 for the Logica U.K. Pension & Life Assurance Scheme. A recovery plan was proposed for the CMG U.K. Pension Scheme reflecting contributions of $12,926,000 per year (plus $1,436,000 per year for expenses) for 9 years ending in August 2023.

The next funding actuarial valuation for the Logica Defined Benefit Pension Plan will be available in 2015. In the meantime, the Company continues to contribute to the plan, in line with the last actuarial valuation, the monthly payments of $108,000 to cover for the deficit and about $9,000 to cover administrative fees.

#### Germany

In Germany, the Company is a participating employer in numerous defined benefit pension plans which are all closed to new members. In the majority of the plans, upon retirement of employees, the benefits are in the form of a monthly pension and in a few plans, the employees will receive an indemnity in the form of a lump-sum payment. Half of the plans are bound by collective bargaining agreements. There are no mandatory funding requirements. The plans are funded by the contributions made by the Company. In some plans, insurance policies are taken out to fund retirement benefit plans that do not qualify as plan assets and that are presented as reimbursement rights.

#### France

In France, the retirement indemnities are provided in accordance with the Labor Code. Upon retirement, employees will receive an indemnity (depending on the salary and seniority in the Company) in the form of a lump-sum payment.

## 17. Employee benefits (continued)

### DEFINED BENEFIT PLANS (CONTINUED)

The following table presents amounts for post-employment benefits plans included in the consolidated balance sheets:

| **As at September 30, 2014** | **U.K.** | **Germany** | **France** | **Other** | **Total** |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| Defined benefit obligations | **(643,857)** | **(78,035)** | **(42,540)** | **(49,370)** | **(813,802)** |
| Fair value of plan assets | **601,313** | **11,582** | **—** | **25,891** | **638,786** |
| | **(42,544)** | **(66,453)** | **(42,540)** | **(23,479)** | **(175,016)** |
| Fair value of reimbursement rights | **—** | **21,418** | **—** | **997** | **22,415** |
| Net liability recognized in the balance sheet | **(42,544)** | **(45,035)** | **(42,540)** | **(22,482)** | **(152,601)** |
| Presented as: | | | | | |
| Other long-term assets (Note 10) | | | | | |
| Insurance contracts held to fund defined benefit pension and life assurance arrangements - reimbursement rights | **—** | **21,418** | **—** | **997** | **22,415** |
| Retirement benefits assets | **8,737** | **—** | **—** | **—** | **8,737** |
| Retirement benefits obligations | **(51,281)** | **(66,453)** | **(42,540)** | **(23,479)** | **(183,753)** |
| | **(42,544)** | **(45,035)** | **(42,540)** | **(22,482)** | **(152,601)** |

| As at September 30, 2013 | U.K. | Germany | France | Other | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Defined benefit obligations | (521,505) | (64,655) | (29,970) | (434,783) | (1,050,913) |
| Fair value of plan assets | 491,717 | 10,539 | — | 404,737 | 906,993 |
| | (29,788) | (54,116) | (29,970) | (30,046) | (143,920) |
| Fair value of reimbursement rights | — | 20,234 | — | 622 | 20,856 |
| Net liability recognized in the balance sheet | (29,788) | (33,882) | (29,970) | (29,424) | (123,064) |
| Presented as: | | | | | |
| Other long-term assets (Note 10) | | | | | |
| Insurance contracts held to fund defined benefit pension and life assurance arrangements - reimbursement rights | — | 20,234 | — | 622 | 20,856 |
| Retirement benefits assets | 8,813 | — | — | 362 | 9,175 |
| Retirement benefits obligations | (38,601) | (54,116) | (29,970) | (30,408) | (153,095) |
| | (29,788) | (33,882) | (29,970) | (29,424) | (123,064) |

## 17. Employee benefits (continued)

### DEFINED BENEFIT PLANS (CONTINUED)

| Defined benefit obligations | U.K. | Germany | France | Other | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| As at September 30, 2013 | 521,505 | 64,655 | 29,970 | 434,783 | 1,050,913 |
| Obligations extinguished on settlement | — | — | — | (383,816) | (383,816) |
| Settlement gain | — | — | — | (8,449) | (8,449) |
| Current service cost | 1,103 | 864 | 2,805 | 2,998 | 7,770 |
| Interest cost | 24,495 | 2,336 | 1,099 | 2,541 | 30,471 |
| Actuarial losses due to change in financial assumptions[1] | 42,766 | 11,491 | 6,929 | 3,304 | 64,490 |
| Actuarial gains due to change in demographic assumptions[1] | — | — | — | (48) | (48) |
| Actuarial losses (gains) due to experience[1] | 16,531 | (194) | 2,211 | (1,117) | 17,431 |
| Past service cost | — | — | (128) | — | (128) |
| Plan participant contributions | 228 | 52 | — | 245 | 525 |
| Benefits paid from the plan | (11,789) | (403) | — | (2,147) | (14,339) |
| Benefits paid directly by employer | — | (1,427) | (495) | (974) | (2,896) |
| Foreign currency translation adjustment[1] | 49,018 | 661 | 149 | 2,050 | 51,878 |
| **As at September 30, 2014** | **643,857** | **78,035** | **42,540** | **49,370** | **813,802** |
| Defined benefit obligation of unfunded plans | — | — | 42,540 | 18,736 | 61,276 |
| Defined benefit obligation of funded plans | 643,857 | 78,035 | — | 30,634 | 752,526 |
| **As at September 30, 2014** | **643,857** | **78,035** | **42,540** | **49,370** | **813,802** |

[1] Amounts recognized in other comprehensive income.

#### Settlement

During the year ended September 30, 2014, the defined benefit pension plan Stichting Pensioenfonds CMG in Netherlands was settled as the Company signed an agreement with an insurance company to cover residual benefits and was no longer exposed to risks in respect of this plan. The obligations and assets extinguished on settlement amounted to $366,311,000.

In Norway, a defined benefit plan was terminated and replaced by a defined contribution plan in 2014. The plan settled when each member received an individual insurance paid up policy. The obligations and assets extinguished on settlement amounted to $17,505,000 and the Company recorded a settlement gain of $8,449,000.

## 17. Employee benefits (continued)

### DEFINED BENEFIT PLANS (CONTINUED)

| Defined benefit obligations | U.K. | Germany | France | Other | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| As at September 30, 2012 | 437,585 | 58,314 | 27,092 | 392,041 | 915,032 |
| Current service cost | 1,096 | 1,060 | 2,943 | 3,422 | 8,521 |
| Interest cost | 20,335 | 2,232 | 912 | 14,888 | 38,367 |
| Curtailment gain | — | — | (4,371) | — | (4,371) |
| Actuarial losses (gains) due to change in financial assumptions[1] | 53,236 | (910) | (262) | (1,654) | 50,410 |
| Actuarial losses due to change in demographic assumptions[1] | — | — | — | 2,281 | 2,281 |
| Actuarial losses (gains) due to experience[1] | 141 | (405) | 974 | (764) | (54) |
| Termination benefits | 310 | — | — | — | 310 |
| Plan participant contributions | 271 | — | — | 288 | 559 |
| Benefits paid from the plan | (13,509) | (429) | — | (11,143) | (25,081) |
| Benefits paid directly by employer | — | (1,084) | (88) | (1,409) | (2,581) |
| Foreign currency translation adjustment[1] | 22,040 | 5,877 | 2,770 | 36,833 | 67,520 |
| As at September 30, 2013 | 521,505 | 64,655 | 29,970 | 434,783 | 1,050,913 |
| Defined benefit obligation of unfunded plans | — | — | 29,970 | 11,302 | 41,272 |
| Defined benefit obligation of funded plans | 521,505 | 64,655 | — | 423,481 | 1,009,641 |
| As at September 30, 2013 | 521,505 | 64,655 | 29,970 | 434,783 | 1,050,913 |

[1] Amounts recognized in other comprehensive income.

## 17. Employee benefits (continued)

### DEFINED BENEFIT PLANS (CONTINUED)

| **Plan assets and reimbursement rights** | **U.K.** | **Germany** | **France** | **Other** | **Total** |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| As at September 30, 2013 | 491,717 | 30,773 | — | 405,359 | 927,849 |
| Assets distributed on settlement | — | — | — | (383,816) | (383,816) |
| Interest income on plan assets | 23,430 | 1,123 | — | 1,635 | 26,188 |
| Employer contributions | 17,396 | 2,031 | 495 | 4,251 | 24,173 |
| Return on assets excluding interest income[1] | 35,646 | 597 | — | (521) | 35,722 |
| Plan participants contributions | 228 | 52 | — | 245 | 525 |
| Benefits paid from the plan | (11,789) | (403) | — | (2,147) | (14,339) |
| Benefits paid directly by employer | — | (1,427) | (495) | (457) | (2,379) |
| Administration expenses paid from the plan | (1,566) | — | — | (6) | (1,572) |
| Foreign currency translation adjustment[1] | 46,251 | 254 | — | 2,345 | 48,850 |
| **As at September 30, 2014** | **601,313** | **33,000** | **—** | **26,888** | **661,201** |
| Plan assets | 601,313 | 11,582 | — | 25,891 | 638,786 |
| Reimbursement rights | — | 21,418 | — | 997 | 22,415 |
| **As at September 30, 2014** | **601,313** | **33,000** | **—** | **26,888** | **661,201** |

| Plan assets and reimbursement rights | U.K. | Germany | France | Other | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| As at September 30, 2012 | 433,727 | 27,480 | — | 364,034 | 825,241 |
| Interest income on plan assets | 20,504 | 1,087 | — | 14,228 | 35,819 |
| Employer contributions | 16,937 | 1,992 | 88 | 3,584 | 22,601 |
| Return on assets excluding interest income[1] | 13,885 | (461) | — | 619 | 14,043 |
| Plan participants contributions | 271 | — | — | 288 | 559 |
| Benefits paid from the plan | (13,509) | (1,014) | — | (11,143) | (25,666) |
| Benefits paid directly by employer | — | (1,084) | (88) | (1,409) | (2,581) |
| Administration expenses paid from the plan | (1,619) | — | — | (238) | (1,857) |
| Foreign currency translation adjustment[1] | 21,521 | 2,773 | — | 35,396 | 59,690 |
| As at September 30, 2013 | 491,717 | 30,773 | — | 405,359 | 927,849 |
| Plan assets | 491,717 | 10,539 | — | 404,737 | 906,993 |
| Reimbursement rights | — | 20,234 | — | 622 | 20,856 |
| As at September 30, 2013 | 491,717 | 30,773 | — | 405,359 | 927,849 |

[1] Amounts recognized in other comprehensive income.

## 17. Employee benefits (continued)

### DEFINED BENEFIT PLANS (CONTINUED)

The plan assets at the end of the year consist of:

| **As at September 30, 2014** | **U.K.** | **Germany** | **France** | **Other** | **Total** |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| Quoted equities | **216,044** | **—** | **—** | **190** | **216,234** |
| Quoted bonds | **352,305** | **—** | **—** | **9,543** | **361,848** |
| Property | **29,897** | **—** | **—** | **1,371** | **31,268** |
| Cash | **3,067** | **—** | **—** | **215** | **3,282** |
| Other[1] | **—** | **11,582** | **—** | **14,572** | **26,154** |
| | **601,313** | **11,582** | **—** | **25,891** | **638,786** |

| As at September 30, 2013 | U.K. | Germany | France | Other | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Quoted equities | 181,463 | — | — | 2,214 | 183,677 |
| Quoted bonds | 283,186 | — | — | 20,805 | 303,991 |
| Property | 23,529 | — | — | 4,936 | 28,465 |
| Cash | 3,539 | — | — | 2,948 | 6,487 |
| Other[1] | — | 10,539 | — | 373,834 | 384,373 |
| | 491,717 | 10,539 | — | 404,737 | 906,993 |

[1] Other is mainly composed of various insurance policies to cover some of the defined benefit obligations.

Plan assets do not include any ordinary shares of the Company, property occupied by the Company or any other assets used by the Company.

The following table summarizes the expense[1] recognized in the consolidated statements of earnings:

| | **Year ended September 30** | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |
| Current service cost | **7,770** | 8,521 |
| Curtailment gain | **—** | (4,371) |
| Settlement gain | **(8,449)** | — |
| Past service cost | **(128)** | — |
| Termination benefits | **—** | 310 |
| Net interest on net defined benefit liability or asset | **4,283** | 2,548 |
| Administration expenses | **1,572** | 1,857 |
| | **5,048** | 8,865 |

[1] The expense was presented as a recovery of costs of services, selling and administrative for an amount of $807,000 and as finance costs for an amount of $5,855,000 ($5,981,000 and $4,405,000, respectively for the year ended September 30, 2013), with a curtailment gain of nil presented in integration-related costs ($1,521,000 for the year ended September 30, 2013).

## 17. Employee benefits (continued)

### DEFINED BENEFIT PLANS (CONTINUED)

#### Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages). The assumed discount rates, future salary and pension increases, inflation rates and mortality all have a significant effect on the accounting valuation.

| **As at September 30, 2014** | **U.K.** | **Germany** | **France** | **Other** |
|---|---|---|---|---|
| | **%** | **%** | **%** | **%** |
| Discount rate | **3.85** | **2.50** | **2.50** | **4.20** |
| Future salary increases | **3.25** | **2.50** | **2.00** | **5.50** |
| Future pension increases | **3.10** | **1.80** | **—** | **—** |
| Inflation | **3.25** | **2.00** | **2.00** | **2.90** |

| As at September 30, 2013 | U.K. | Germany | France | Other |
|---|---|---|---|---|
| | % | % | % | % |
| Discount rate | 4.40 | 3.60 | 3.60 | 3.70 |
| Future salary increases | 3.35 | 2.50 | 2.00 | 5.30 |
| Future pension increases | 3.19 | 1.75 | — | — |
| Inflation | 3.35 | 2.00 | 2.00 | 2.10 |

The average longevity over 65 of a member presently at age 45 and 65 are as follows:

| **As at September 30, 2014** | **U.K.** | **Germany** |
|---|---|---|
| | **(in years)** | |
| Longevity at age 65 for current members | | |
| Males | 22.4 | 19.0 |
| Females | 23.8 | 23.0 |
| Longevity at age 45 for current members | | |
| Males | 24.4 | 22.0 |
| Females | 25.9 | 25.4 |

| As at September 30, 2013 | U.K. | Germany |
|---|---|---|
| | (in years) | |
| Longevity at age 65 for current members | | |
| Males | 22.4 | 19.0 |
| Females | 23.8 | 23.0 |
| Longevity at age 45 for current members | | |
| Males | 24.3 | 21.4 |
| Females | 25.9 | 25.4 |

## 17. Employee benefits (continued)

**DEFINED BENEFIT PLANS (CONTINUED)**

**Actuarial assumptions (continued)**

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each countries. Mortality assumptions for the most significant countries are based on the following post-retirement mortality tables for the years ended September 30, 2014 and 2013: (1) U.K.: 110% PNXA00 (year of birth) plus CMI_2011 projections with 1% p.a. minimum long term improvement rate and (2) Germany: Heubeck RT2005G.

The following table shows the sensitivity of the defined benefit obligations to changes in these assumptions, all other actuarial assumptions remaining unchanged:

| As at September 30, 2014 | U.K. | Germany | France |
|---|---|---|---|
| | $ | $ | $ |
| Increase of 0.25% in the discount rate | **(28,480)** | **(2,757)** | **(1,849)** |
| Decrease of 0.25% in the discount rate | **30,292** | **2,913** | **1,952** |
| Salary increase of 0.25% | **931** | **642** | **1,999** |
| Salary decrease of 0.25% | **(913)** | **(568)** | **(1,900)** |
| Pension increase of 0.25% | **8,759** | **1,120** | **—** |
| Pension decrease of 0.25% | **(9,248)** | **(1,081)** | **—** |
| Increase of 0.25% in inflation | **22,873** | **1,152** | **1,999** |
| Decrease of 0.25% in inflation | **(21,707)** | **(1,098)** | **(1,900)** |
| Increase of one year in life expectancy | **15,039** | **2,482** | **—** |
| Decrease of one year in life expectancy | **(15,124)** | **(2,517)** | **—** |

| As at September 30, 2013 | U.K. | Germany | France |
|---|---|---|---|
| | $ | $ | $ |
| Increase of 0.25% in the discount rate | (21,118) | (2,674) | (1,286) |
| Decrease of 0.25% in the discount rate | 23,052 | 1,784 | 1,357 |
| Salary increase of 0.25% | 715 | 528 | 1,390 |
| Salary decrease of 0.25% | (700) | (468) | (1,322) |
| Pension increase of 0.25% | 7,095 | 928 | — |
| Pension decrease of 0.25% | (7,490) | (896) | — |
| Increase of 0.25% in inflation | 16,235 | 1,440 | 1,390 |
| Decrease of 0.25% in inflation | (14,107) | (632) | (1,322) |
| Increase of one year in life expectancy | 10,504 | 1,673 | — |
| Decrease of one year in life expectancy | (10,626) | (1,719) | — |

The sensitivity analysis above have been based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the year.

The weighted average durations of the defined benefit obligations are as follows:

| | Year ended September 30 | |
|---|---|---|
| | **2014** | 2013 |
| | (in years) | |
| U.K. | **19** | 17 |
| Germany | **15** | 17 |
| France | **18** | 18 |
| Other | **14** | 17 |

## 17. Employee benefits (continued)

### DEFINED BENEFIT PLANS (CONTINUED)

The Company expects to contribute $20,140,000 to defined benefit plans during the next year, of which $17,217,000 relates to the U.K. plans, and $2,923,000 relating to the other plans. The contributions will include new benefit accruals and deficit recovery payments.

### DEFINED CONTRIBUTION PLANS

The Company also operates defined contribution retirement plans. In some countries, contributions are made into state pension plans. The pension cost expense for defined contribution plans amounted to $217,980,000 in 2014 ($207,616,000 in 2013).

In addition, in Sweden the Company contributes to a multi-employer plan, Alecta SE pension plan, which is a defined benefit pension plan. This pension plan is classified as a defined contribution plan as sufficient information is not available to use defined benefit accounting. Alecta lacks the possibility of establishing an exact distribution of assets and provisions to the respective employers. The Company's proportion of the total contributions to the plan is 0.87% and the Company's proportion of the total number of active members in the plan is 0.64%.

Alecta uses a collective funding ratio to determine the surplus or deficit in the pension plan. Any surplus or deficit in the plan will affect the amount of future contributions payable. 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, 2014, Alecta's collective funding ratio was 146% (145% in 2013). The plan expense was $45,044,000 in 2014 ($38,598,000 in 2013). The Company expects to contribute $43,707,000 to the plan during the next year.

### 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 deferred compensation liability totaled $482,000 as at September 30, 2014 ($501,000 as at September 30, 2013). 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 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 $31,151,000 as at September 30, 2014 ($24,752,000 as at September 30, 2013).

The deferred compensation plans assets and liabilities are presented in long-term financial assets and other long-term liabilities, respectively.

## 18. Accumulated other comprehensive income

| | As at September 30, 2014 | As at September 30, 2013 |
|---|---|---|
| | **$** | $ |
| Items that will be reclassified subsequently to net earnings: | | |
| Net unrealized gains on translating financial statements of foreign operations, net of accumulated income tax expense of $31,986 as at September 30, 2014 ($18,818 as at September 30, 2013) | **511,689** | 290,410 |
| Net losses 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 $37,024 as at September 30, 2014 ($21,349 as at September 30, 2013) | **(238,583)** | (137,714) |
| Net unrealized gains (losses) on cash flow hedges, net of accumulated income tax expense of $2,162 as at September 30, 2014 (net of accumulated income tax recovery of $3,085 as at September 30, 2013) | **14,520** | (6,209) |
| Net unrealized gains on investments available for sale, net of accumulated income tax expense of $942 as at September 30, 2014 ($617 as at September 30, 2013) | **2,576** | 1,635 |
| Items that will not be reclassified subsequently to net earnings: | | |
| Net remeasurement losses, net of accumulated income tax recovery of $18,728 as at September 30, 2014 ($5,788 as at September 30, 2013) | **(61,578)** | (26,267) |
| | **228,624** | 121,855 |

For the year ended September 30, 2014, $22,000 of the net unrealized gains previously recognized in other comprehensive income, net of income tax expense of $133,000, were reclassified to net earnings for derivative financial instruments designated as cash flow hedges ($1,967,000 of the net unrealized losses net of income tax recovery of $1,601,000 for the year ended September 30, 2013).

## 19. 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 and convertible at any time at the option of the holder into Class A subordinate shares.

For 2014 and 2013, 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 |
| | | $ | | $ | | $ |
| As at September 30, 2012 | 273,771,106 | 2,154,807 | 33,608,159 | 46,887 | 307,379,265 | 2,201,694 |
| Issued upon exercise of stock options[1] | 3,765,982 | 51,971 | — | — | 3,765,982 | 51,971 |
| Repurchased and cancelled[2] | (723,100) | (5,780) | — | — | (723,100) | (5,780) |
| Purchased and held in trust[3] | — | (7,663) | — | — | — | (7,663) |
| PSUs exercised[4] | — | 272 | — | — | — | 272 |
| Conversion of shares[5] | 335,392 | 468 | (335,392) | (468) | — | — |
| As at September 30, 2013 | 277,149,380 | 2,194,075 | 33,272,767 | 46,419 | 310,422,147 | 2,240,494 |
| Issued upon exercise of stock options[1] | 4,999,544 | 83,305 | — | — | 4,999,544 | 83,305 |
| Repurchased and cancelled[2] | (2,837,360) | (56,077) | — | — | (2,837,360) | (56,077) |
| Purchased and held in trust[3] | — | (23,016) | — | — | — | (23,016) |
| Resale of shares held in trust[3] | — | 908 | — | — | — | 908 |
| PSUs exercised[4] | — | 583 | — | — | — | 583 |
| **As at September 30, 2014** | **279,311,564** | **2,199,778** | **33,272,767** | **46,419** | **312,584,331** | **2,246,197** |

[1] The carrying value of Class A subordinate shares includes $18,380,000 ($12,531,000 in 2013), which corresponds to a reduction in contributed surplus representing the value of accumulated compensation costs associated with the stock options exercised during the year.

[2] On January 29, 2014, the Company's Board of Directors authorized the renewal of a Normal Course Issuer Bid ("NCIB") for the purchase of up to 21,798,645 Class A subordinate shares during the next year (20,685,976 in 2013) for cancellation on the open market through the TSX. The Class A subordinate shares were available for purchase commencing February 11, 2014, until no later than February 10, 2015, or on such earlier date when the Company completes its purchases or elects to terminate the NCIB. During the year ended September 30, 2014, the Company repurchased 2,490,660 Class A subordinate shares from the Caisse de dépôt et placement du Québec for a cash consideration of $100,000,000. The excess of the purchase price over the carrying value in the amount of $46,675,000 was charged to retained earnings. In accordance with the requirements of TSX, the repurchased shares have been taken into account in calculating the annual aggregate limit that the Company is entitled to repurchase under its previous NCIB. In addition, during the year ended September 30, 2014, the Company repurchased 346,700 Class A subordinate shares under the previous NCIB (723,100 in 2013) for a cash consideration of $11,468,000 ($22,869,000 in 2013). The excess of the purchase price over the carrying value, in the amount of $8,716,000 ($17,089,000 in 2013), was charged to retained earnings.

[3] The trustee, in accordance with the terms of the PSU plan and a Trust Agreement, purchased 619,888 Class A subordinate shares of the Company on the open market for $23,016,000 during the year ended September 30, 2014 (336,849 Class A subordinate shares for $7,663,000 during the year ended September 30, 2013). During the year ended September 30, 2014, the trustee sold 35,576 Class A subordinate shares that were held in trust on the open market in accordance with the terms of the PSU plan. The excess of proceeds over the carrying value of the Class A subordinate shares, in the amount of $482,000, resulted in an increase of contributed surplus. For the year ended September 30, 2013, the trustee did not sell any Class A subordinate shares.

[4] During the year ended September 30, 2014, 22,858 PSUs were exercised (14,020 during the year ended September 30, 2013) with a recorded average fair value of $583,000 ($272,000 as at September 30, 2013) that was removed from contributed surplus. As at September 30, 2014, 1,748,149 Class A subordinate shares were held in trust under the PSU plan (1,186,695 as at September 30, 2013) (Note 20b).

[5] During the year ended September 30, 2013, a shareholder converted 335,392 Class B shares into 335,392 Class A subordinate shares. No class B shares were converted during the year ended September 30, 2014.

## 20. 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, 2014, 43,616,083 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:

| | | **2014** | | 2013 |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price per share** | Number of options | Weighted average exercise price per share |
| | | **$** | | $ |
| Outstanding, beginning of year | **20,209,569** | **16.45** | 18,617,230 | 12.69 |
| Granted | **5,973,451** | **37.15** | 7,196,903 | 23.89 |
| Exercised | **(4,999,544)** | **12.99** | (3,765,982) | 10.47 |
| Forfeited | **(1,438,920)** | **26.45** | (1,825,447) | 19.77 |
| Expired | **(16,450)** | **7.85** | (13,135) | 11.42 |
| Outstanding, end of year | **19,728,106** | **22.88** | 20,209,569 | 16.45 |
| Exercisable, end of year | **8,890,504** | **14.13** | 10,955,235 | 11.70 |

The weighted average share price at the date of exercise for share options exercised in 2014 was $37.78 ($29.47 in 2013).

The following table summarizes information about outstanding stock options granted by the Company as at September 30, 2014:

| | | **Options outstanding** | | | **Options exercisable** |
|---|---|---|---|---|---|
| **Range of exercise price** | **Number of options** | **Weighted average remaining contractual life (years)** | **Weighted average exercise price** | **Number of options** | **Weighted average exercise price** |
| **$** | | | **$** | | **$** |
| **7.00 to 8.55** | **490,915** | **1.66** | **8.08** | **490,915** | **8.08** |
| **9.05 to 10.05** | **1,634,331** | **4.00** | **9.31** | **1,634,331** | **9.31** |
| **10.11 to 11.80** | **993,269** | **3.03** | **11.38** | **993,269** | **11.38** |
| **12.54 to 13.26** | **2,282,150** | **5.00** | **12.56** | **2,282,150** | **12.56** |
| **14.48 to 15.96** | **2,631,359** | **6.00** | **15.48** | **1,880,357** | **15.48** |
| **19.28 to 22.52** | **830,466** | **7.00** | **19.79** | **436,086** | **19.83** |
| **23.65 to 32.57** | **5,192,158** | **8.22** | **23.91** | **1,126,898** | **23.99** |
| **34.68 to 38.79** | **5,673,458** | **9.28** | **37.17** | **46,498** | **36.60** |
| | **19,728,106** | **7.03** | **22.88** | **8,890,504** | **14.13** |

## 20. Share-based payments (continued)

### a) Stock options (continued)

The fair value of stock options granted in the year and the weighted average 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 | |
|---|---|---|
| | **2014** | 2013 |
| Grant date fair value ($) | **7.98** | 4.98 |
| Dividend yield (%) | **0.00** | 0.00 |
| Expected volatility (%)[1] | **23.92** | 23.67 |
| Risk-free interest rate (%) | **1.53** | 1.29 |
| Expected life (years) | **4.00** | 4.00 |
| Exercise price ($) | **37.15** | 23.89 |
| Share price ($) | **37.15** | 23.89 |

[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 the business day preceding December 31 of the third calendar year following the end of the fiscal year during which the PSU award was 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 structured 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 19).

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] | 805,921 |
| Exercised | (14,020) |
| Forfeited | (469,072) |
| Outstanding as at September 30, 2013 | 1,186,695 |
| Granted[1] | 619,888 |
| Exercised | (22,858) |
| Forfeited | (35,576) |
| **Outstanding as at September 30, 2014** | **1,748,149** |

[1] The PSUs granted in 2014 had a grant date fair value of $36.15 per unit ($23.65 in 2013).

## 20. Share-based payments (continued)

### c) Share Purchase plan

Under the Share purchase plan, the Company contributes to the Share purchase plan an amount equal to a percentage of the employee's basic contribution, up to a maximum of 3.5%. An employee may make additional contributions in excess of the basic contribution however the Company does not match contributions in the case of such additional contributions. The employee and Company contributions are remitted to an independent plan administrator who purchases Class A subordinate shares on the open market on behalf of the employee through either the TSX or New York Stock Exchange.

### d) Deferred share unit plan

Under the DSU plan, the Board of Directors may grant DSUs to members of the Board of Directors ("participants"). DSUs are granted with immediate vesting and must be exercised no later than December 15 of the calendar year immediately following the calendar year during which the participant ceases to act as a Director. Each DSU entitles the holder to receive a cash payment equal to the closing price of Class A subordinate shares on the TSX on the payment date.

### e) 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 | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |
| Stock options | **18,383** | 19,631 |
| PSUs | **13,333** | 11,642 |
| Share purchase plan | **69,500** | 52,542 |
| DSUs | **1,109** | 2,205 |
| | **102,325** | 86,020 |

## 21. Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the year ended September 30:

| | | **2014** | | | 2013 | |
|---|---|---|---|---|---|---|
| | **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 | **859,443** | **308,743,126** | **2.78** | 455,820 | 307,900,034 | 1.48 |
| Dilutive stock options and PSUs[2] | | **10,184,611** | | | 9,074,145 | |
| | **859,443** | **318,927,737** | **2.69** | 455,820 | 316,974,179 | 1.44 |

1 The 2,837,360 Class A subordinate shares repurchased and 1,748,149 Class A subordinate shares held in trust during the year ended September 30, 2014 (723,100 and 1,186,695, respectively, during year ended September 30, 2013), 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 5,648,757 stock options for the year ended September 30, 2014 (19,994 for the year ended September 30, 2013), as they were anti-dilutive.

## 22. 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 performances of services are classified as deferred revenue.

The status of the Company's construction contracts still in progress at the end of the reporting period was as follows:

| | **As at September 30, 2014** | As at September 30, 2013 |
|---|---|---|
| | **$** | $ |
| Recognized as: | | |
| Revenue in the respective year | **1,575,593** | 1,634,739 |
| Recognized as: | | |
| Amounts due from customers under construction contracts[1] | **289,838** | 311,733 |
| Amounts due to customers under construction contracts | **(153,962)** | (209,890) |

[1] As at September 30, 2014, retentions held by customers for contract work in progress amounted to $50,425,000 ($38,133,000 as at September 30, 2013).

## 23. Costs of services, selling and administrative

| | **Year ended September 30** | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |
| Salaries and other member costs[1] | **6,215,991** | 5,954,032 |
| Hardware, software and data center related costs | **786,360** | 864,687 |
| Professional fees and other contracted labour | **1,260,955** | 1,311,323 |
| Property costs | **398,560** | 410,197 |
| Amortization and depreciation (Note 24) | **435,775** | 416,889 |
| Other operating expenses | **32,150** | 55,182 |
| | **9,129,791** | 9,012,310 |

[1] Net of tax credits of $121,114,000 in 2014 ($95,911,000 in 2013).

## 24. Amortization and depreciation

| | Year ended September 30 | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |
| Depreciation of PP&E[1] | **186,886** | 175,687 |
| Amortization of intangible assets | **192,692** | 185,309 |
| Amortization of contract costs related to transition costs | **56,197** | 55,893 |
| Included in costs of services, selling and administrative (Note 23) | **435,775** | 416,889 |
| Amortization of contract costs related to incentives (presented as a reduction of revenue) | **5,889** | 8,151 |
| Amortization of internal-use software (presented in integration-related costs) | **—** | 8,672 |
| Amortization of deferred financing fees (presented in finance costs) | **1,185** | 1,186 |
| Amortization of premiums and discounts on investments related to funds held for clients (presented net as a reduction of revenue) | **1,383** | 1,046 |
| | **444,232** | 435,944 |

[1] Depreciation of PP&E acquired under finance leases was $23,822,000 in 2014 ($21,102,000 in 2013).

## 25. Finance costs

| | Year ended September 30 | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |
| Interest on long-term debt | **92,581** | 104,502 |
| Net interest cost on the net defined benefit plans (Note 17) | **5,855** | 4,405 |
| Other finance costs | **2,842** | 5,024 |
| | **101,278** | 113,931 |

## 26. Investments in subsidiaries

### 2014 TRANSACTIONS

There were no acquisitions or significant disposals for the year ended September 30, 2014.

### 2013 TRANSACTIONS

There were no acquisitions or significant disposals for the year ended September 30, 2013.

## 26. Investments in subsidiaries (continued)

### 2012 TRANSACTIONS

#### a) Modifications to purchase price allocation

During the year ended September 30, 2013, the Company finalized the purchase price allocation and made adjustments relating to the acquisition of Logica. The prior period figures had been retrospectively revised in 2013 as follows:

| | Purchase price allocation, as originally reported | Adjustments and reclassifications | Final purchase price allocation |
|---|---|---|---|
| | $ | $ | $ |
| **Assets** | | | |
| Current assets[1] | 1,374,838 | (72,333) | 1,302,505 |
| Property, plant and equipment | 250,808 | (19,169) | 231,639 |
| Contract costs | 71,697 | 948 | 72,645 |
| Intangible assets | 603,683 | (68,620) | 535,063 |
| Other long-term assets | 87,789 | (1,667) | 86,122 |
| Deferred tax assets | 197,210 | 126,571 | 323,781 |
| Goodwill | 3,276,172 | 265,324 | 3,541,496 |
| | 5,862,197 | 231,054 | 6,093,251 |
| **Liabilities** | | | |
| Current liabilities | (1,546,273) | (285,657) | (1,831,930) |
| Debt[2] | (808,775) | — | (808,775) |
| Deferred tax liabilities | (43,616) | 22,472 | (21,144) |
| Long-term provisions | (182,880) | 86,570 | (96,310) |
| Retirement benefits obligations | (113,526) | — | (113,526) |
| Other long-term liabilities | (426,864) | (54,439) | (481,303) |
| | (3,121,934) | (231,054) | (3,352,988) |
| Bank overdraft assumed, net | (57,883) | — | (57,883) |
| Net assets acquired | 2,682,380 | — | 2,682,380 |
| Cash consideration | 2,676,912 | | 2,676,912 |
| Consideration payable[3] | 5,468 | | 5,468 |

[1] The current assets include accounts receivable with a fair value of $866,816,000 which approximates the gross amount due under the contracts.

[2] The fair value of the assumed debt in the business acquisition at August 20, 2012 was $808,775,000. In 2012, the Company repaid Logica's debt for an amount of $891,354,000, less settlement of foreign currency forward contracts of $50,171,000 resulting in a loss of $83,632,000, which was recorded in acquisition-related and integration costs.

[3] Paid during the year ended September 30, 2013.

## 26. Investments in subsidiaries (continued)

### 2012 TRANSACTIONS (CONTINUED)

### a) Modifications to purchase price allocation (continued)

#### IMPACT ON CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2012

The following represents the revised consolidated balance sheet as at September 30, 2012 which reflects the final purchase price allocation adjustments and the related additional reclassifications applied to the consolidated balance sheet as at September 30, 2012. A discussion of the adjustments and resulting impact for year ended September 30, 2012 are presented further below.

| | As originally reported | | Adjustments and reclassifications | Foreign exchange on adjustments | Final |
|---|---|---|---|---|---|
| | $ | | $ | $ | $ |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 113,103 | | — | — | 113,103 |
| Short-term investments | 14,459 | | — | — | 14,459 |
| Accounts receivable | 1,446,149 | A | (32,273) | (941) | 1,412,935 |
| Work in progress | 744,482 | A | (45,819) | (1,531) | 697,132 |
| Prepaid expenses and other current assets | 244,805 | A | (8,840) | (3) | 235,962 |
| Income taxes | 24,650 | I | 14,599 | 628 | 39,877 |
| Total current assets before funds held for clients | 2,587,648 | | (72,333) | (1,847) | 2,513,468 |
| Funds held for clients | 202,407 | | — | — | 202,407 |
| Total current assets | 2,790,055 | | (72,333) | (1,847) | 2,715,875 |
| Property, plant and equipment | 500,995 | A, B, F | (19,169) | (346) | 481,480 |
| Contract costs | 167,742 | A | 948 | (40) | 168,650 |
| Intangible assets | 858,892 | C | (68,620) | (2,493) | 787,779 |
| Other long-term assets | 96,351 | A | (1,667) | (59) | 94,625 |
| Deferred tax assets | 219,590 | I | 126,571 | 2,528 | 348,689 |
| Goodwill | 5,819,817 | | 265,324 | 7,993 | 6,093,134 |
| | 10,453,442 | | 231,054 | 5,736 | 10,690,232 |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | 1,156,737 | A, H | 124,680 | 4,614 | 1,286,031 |
| Accrued compensation | 539,779 | D | (16,695) | (520) | 522,564 |
| Deferred revenue | 443,596 | A | 90,792 | 1,514 | 535,902 |
| Income taxes | 177,030 | I | (58) | (10) | 176,962 |
| Provisions | 160,625 | E, F, J | 86,938 | 3,124 | 250,687 |
| Current portion of long-term debt | 52,347 | | — | — | 52,347 |
| Total current liabilities before clients' funds obligations | 2,530,114 | | 285,657 | 8,722 | 2,824,493 |
| Clients' funds obligations | 197,986 | | — | — | 197,986 |
| Total current liabilities | 2,728,100 | | 285,657 | 8,722 | 3,022,479 |
| Long-term provisions | 216,507 | E, F | (86,570) | (3,799) | 126,138 |
| Long-term debt | 3,196,061 | | — | — | 3,196,061 |
| Other long-term liabilities | 601,232 | A, D, G, H | 54,439 | 1,450 | 657,121 |
| Deferred tax liabilities | 171,130 | I | (22,472) | (1,206) | 147,452 |
| Retirement benefits obligations | 118,078 | | — | — | 118,078 |
| | 7,031,108 | | 231,054 | 5,167 | 7,267,329 |
| Equity | | | | | |
| Retained earnings | 1,113,225 | | — | — | 1,113,225 |
| Accumulated other comprehensive (loss) income | (275) | | — | 569 | 294 |
| Capital stock | 2,201,694 | | — | — | 2,201,694 |
| Contributed surplus | 107,690 | | — | — | 107,690 |
| | 3,422,334 | | — | 569 | 3,422,903 |
| | 10,453,442 | | 231,054 | 5,736 | 10,690,232 |

## 26. Investments in subsidiaries (continued)

**2012 TRANSACTIONS (CONTINUED)**

**a) Modifications to purchase price allocation (continued)**

**IMPACT ON CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2012 (CONTINUED)**

**A. Contract accounting**

The Company obtained supplementary information and reviewed estimates related to client contracts and made reclassifications. As a result, accounts receivable, work in progress, prepaid expenses and other current assets, property, plant and equipment and other long-term assets decreased by an amount of $32,273,000, $13,663,000, $8,840,000, $8,947,000, $1,667,000, respectively while contract costs, accounts payable and accrued liabilities as well as long-term deferred revenue, estimated losses on revenue-generating contracts and other within other long-term liabilities increased by an amount of $948,000, $4,482,000, $29,638,000, $142,173,000 and $8,514,000, respectively.

In addition, certain reclassifications for presentation purposes were done. As a result, accounts payable and accrued liabilities and current deferred revenue increased by an amount of $114,253,000 and $90,792,000, respectively while work in progress, long-term deferred revenue and estimated losses on revenue-generating contracts within other long-term liabilities decreased by an amount of $32,156,000, $131,751,000 and $105,450,000, respectively.

**B. Buildings**

The Company refined the assumptions related to the fair value of buildings acquired. As a result, property, plant and equipment decreased by an amount of $2,377,000.

**C. Intangible assets**

The Company refined the assumptions related to cash flows. As a result, internal-use software increased by an amount of $5,918,000 while business solutions and client relationships decreased by an amount of $3,966,000 and $70,572,000, respectively.

**D. Accrued compensation**

The Company adjusted the accrued compensation provision. As a result, accrued compensation decreased by an amount of $16,695,000 while other within other long-term liabilities increased by an amount of $5,488,000.

**E. Litigations and claims**

The Company obtained supplementary information, reviewed estimates and settled claims that have been agreed upon by both parties for a social security and contractual dispute claim against the Company. As a result, current and non-current provisions for litigations decreased by an amount of $708,000 and $18,144,000, respectively.

In addition, the Company made certain reclassifications from non-current provisions to current provisions for an amount of $86,884,000.

**F. Lease provisions**

The Company refined the assumptions related to the discount rate, sublease rental cash flows and costs to restore premises at the end of the lease period. As a result, onerous leases within current provisions decreased by an amount of $3,704,000 while onerous lease and decommissioning liabilities within non-current provisions and decommissioning liabilities within current provisions increased by an amount of $9,681,000, $13,777,000 and $1,405,000. Additionally, leasehold improvements within property, plant and equipment decreased by an amount of $7,845,000.

**G. Fair value of client contracts**

The Company refined the assumptions related to the discount rate and the expected amount and timing of future cash flows related to client contracts. As a result, long-term deferred revenue within other long-term liabilities increased by an amount of $67,507,000.

## 26. Investments in subsidiaries (continued)

**2012 TRANSACTIONS (CONTINUED)**

**a) Modifications to purchase price allocation (continued)**

**IMPACT ON CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2012 (CONTINUED)**

**H. Fair value of lease contracts**

The Company refined the assumptions related to the discount rate and rental rates in effect at the acquisition date of lease contracts. As a result, deferred rent within accounts payable and accrued liabilities and within other long-term liabilities increased by an amount of $5,945,000 and $38,320,000.

**I. Income taxes**

The Company obtained supplementary information concerning income tax provisions. As a result, income taxes payable decreased by an amount of $28,280,000. The related income tax impact of the adjustments to purchase price allocation on income taxes receivable and deferred tax liabilities was a decrease by an amount of $7,501,000 and $6,972,000, respectively while deferred tax assets and income taxes payable increased by an amount of $142,071,000 and $6,122,000, respectively.

In addition, for presentation purposes, reclassifications were made from income taxes payable to income taxes receivable for an amount of $22,100,000 and from deferred tax assets to deferred tax liabilities for an amount of $15,500,000.

**J. Restructuring**

The Company refined the assumptions related to restructuring provisions assumed in the acquisition. As a result, expected restructuring costs within current and non-current provisions increased by an amount of $3,061,000 and decreased by an amount of $5,000,000, respectively.

**b) Integration-related costs**

During the year ended September 30, 2014, the previously announced integration program of $525,000,000 was increased by $26,500,000 to include new opportunities and by $24,000,000 to consider foreign currency impact.

During the year ended September 30, 2014, the Company expensed $127,341,000 ($338,439,000 during the year ended September 30, 2013) of the announced program. This amount included net integration costs for the termination of employees to transform the operations of Logica to the Company's operating model of $94,273,000 ($249,799,000 during the year ended September 30, 2013) (Note 13), costs related to onerous leases of $1,503,000 ($31,899,000 during the year ended September 30, 2013) (Note 13) and other integration costs of $31,565,000 ($56,741,000 during the year ended September 30, 2013).

During the year ended September 30, 2014, the Company paid in total $157,998,000 ($306,433,000 during the year ended September 30, 2013) related to the integration program and $4,537,000 ($37,937,000 during the year ended September 30, 2013), related to the restructuring program of Logica announced before the acquisition, on December 14, 2011. During the year ended September 30, 2014, the non-cash integration costs of $nil ($7,151,000 during the year ended September 30, 2013) included amortization expense of $nil ($8,672,000 during the year ended September 30, 2013) and curtailment gain of $nil ($1,521,000 during the year ended September 30, 2013).

## 27. Supplementary cash flow information

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

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Accounts receivable | **205,945** | 280,146 |
| Work in progress | **161,270** | (169,035) |
| Prepaid expenses and other assets | **42,555** | 17,499 |
| Long-term financial assets | **(4,230)** | (2,742) |
| Accounts payable and accrued liabilities | **(113,537)** | (231,169) |
| Accrued compensation | **(151,573)** | 164,166 |
| Deferred revenue | **(158,026)** | (163,941) |
| Provisions | **(132,735)** | (67,055) |
| Other long-term liabilities | **(65,840)** | (99,573) |
| Retirement benefits obligations | **(17,181)** | (7,646) |
| Derivative financial instruments | **(650)** | 966 |
| Income taxes | **1,335** | (3,172) |
| | **(232,667)** | (281,556) |

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

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Operating activities | | |
| Accounts receivable | **(199)** | (412) |
| Prepaid expenses and other assets | **(3,792)** | (4,180) |
| | **(3,991)** | (4,592) |
| Investing activities | | |
| Purchase of property, plant and equipment | **(12,878)** | (12,909) |
| Additions of intangible assets | **(1,074)** | (4,948) |
| Additions of long-term financial assets | **(7,788)** | (1,852) |
| | **(21,740)** | (19,709) |
| Financing activities | | |
| Increase in obligations under finance leases | **24,458** | 11,745 |
| Increase in obligations other than finance leases | **1,074** | 12,144 |
| Issuance of shares | **199** | 412 |
| | **25,731** | 24,301 |

c) Interest paid and received and income taxes paid are classified within operating activities and are as follows for the years ended September 30:

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Interest paid | **103,127** | 104,981 |
| Interest received | **903** | 3,550 |
| Income taxes paid | **182,531** | 131,552 |

## 28. Segmented information

The following presents information on the Company's operations based on its current management structure managed through seven operating segments which are based on the geographic delivery model, namely: United States of America ("U.S."); Nordics, Southern Europe and South America ("NSESA"); Canada; France (including Luxembourg and Morocco); United Kingdom ("U.K."); Central and Eastern Europe (primarily the Netherlands and Germany) ("CEE"); the Asia Pacific (including Australia, India, Philippines and the Middle east).

| | | | | | | | | **Year ended September 30, 2014** |
|---|---|---|---|---|---|---|---|---|
| | **U.S.** | **NSESA** | **Canada** | **France** | **U.K.** | **CEE** | **Asia Pacific** | **Total** |
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Segment revenue | **2,664,876** | **2,090,240** | **1,638,320** | **1,333,792** | **1,283,847** | **1,063,533** | **425,084** | **10,499,692** |
| Earnings before integration-related costs, finance costs, finance income and income tax expense[1] | **303,515** | **195,400** | **361,136** | **155,695** | **164,977** | **107,977** | **68,159** | **1,356,859** |
| Integration-related costs | | | | | | | | **(127,341)** |
| Finance costs | | | | | | | | **(101,278)** |
| Finance income | | | | | | | | **2,010** |
| **Earnings before income taxes** | | | | | | | | **1,130,250** |

[1] Total amortization and depreciation of $443,047,000 included in the U.S., NSESA, Canada, France, U.K., CEE and Asia Pacific operating segments was $114,106,000, $81,793,000, $84,403,000, $34,575,000, $75,853,000, $29,314,000 and $23,003,000, respectively for the year ended September 30, 2014.

| | | | | | | | | Year ended September 30, 2013 |
|---|---|---|---|---|---|---|---|---|
| | U.S. | NSESA | Canada | France | U.K. | CEE | Asia Pacific | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Segment revenue | 2,512,530 | 2,010,693 | 1,685,723 | 1,273,604 | 1,158,520 | 1,003,950 | 439,604 | 10,084,624 |
| Earnings before integration-related costs, finance costs, finance income and income tax expense[1] | 283,690 | 139,418 | 320,306 | 109,760 | 102,820 | 67,341 | 52,295 | 1,075,630 |
| Integration-related costs | | | | | | | | (338,439) |
| Finance costs | | | | | | | | (113,931) |
| Finance income | | | | | | | | 4,362 |
| Earnings before income taxes | | | | | | | | 627,622 |

[1] Total amortization and depreciation of $426,086,000 included in the U.S., NSESA, Canada, France, U.K., CEE and Asia Pacific operating segments was $103,520,000, $78,095,000, $99,899,000, $30,855,000, $52,417,000, $34,899,000 and $26,401,000, respectively for the year ended September 30, 2013.

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.

## 28. Segmented information (continued)

### GEOGRAPHIC INFORMATION

The following table provides information for PP&E, contract costs and intangible assets based on their location:

| | **As at September 30, 2014** | As at September 30, 2013 |
|---|---|---|
| | **$** | $ |
| U.S. | **296,587** | 288,307 |
| Canada | **254,240** | 289,248 |
| U.K. | **240,455** | 210,089 |
| France | **101,477** | 125,056 |
| Sweden | **98,496** | 96,608 |
| Finland | **58,245** | 66,408 |
| Germany | **56,958** | 55,786 |
| Netherlands | **44,454** | 50,016 |
| Rest of the world | **122,582** | 142,262 |
| | **1,273,494** | 1,323,780 |

The following table provides revenue information based on the client's location:

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| U.S. | **2,803,326** | 2,650,540 |
| Canada | **1,614,511** | 1,670,190 |
| U.K. | **1,391,943** | 1,271,405 |
| France | **1,309,568** | 1,257,473 |
| Sweden | **913,110** | 909,977 |
| Finland | **665,845** | 571,682 |
| Netherlands | **527,010** | 507,638 |
| Germany | **384,765** | 353,967 |
| Rest of the world | **889,614** | 891,752 |
| | **10,499,692** | 10,084,624 |

### INFORMATION ABOUT SERVICES

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

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| Outsourcing | | |
| IT Services | **4,342,370** | 4,474,203 |
| BPS | **1,118,117** | 1,143,069 |
| Systems integration and consulting | **5,039,205** | 4,467,352 |
| | **10,499,692** | 10,084,624 |

### MAJOR CLIENT INFORMATION

Contracts with the U.S. federal government and its various agencies accounted for $1,404,093,000 (13.4%) of revenues included within the U.S. segment for the year ended September 30, 2014 ($1,392,286,000 (13.8%) for the year ended September 30, 2013).

## 29. Related party transactions

### a) Transactions with subsidiaries

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation. The Company owns 100% of the equity interests of its principal subsidiaries.

The Company's principal subsidiaries whose revenues, based on the geographic delivery model, represent more than 3% of the consolidated revenues are as follows:

| Name of subsidiary | Country of incorporation |
|---|---|
| Conseillers en gestion et informatique CGI Inc. | Canada |
| CGI Information Systems and Management Consultants Inc. | Canada |
| CGI Technologies and Solutions Inc. | United States |
| Stanley Associates, Inc. | United States |
| CGI Federal Inc. | United States |
| CGI Information Systems and Management Consultants Private Limited | India |
| CGI France SAS | France |
| CGI Nederland BV | Netherlands |
| CGI (Germany) GmbH & Co KG | Germany |
| CGI Suomi Oy | Finland |
| CGI Sverige AB | Sweden |
| CGI IT UK Limited | United Kingdom |

### b) Compensation of key management personnel

Compensation of key management personnel, defined as the Board of Directors and the Executive Vice-President and Chief Financial Officer, was as follows:

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| Short-term employee benefits | **4,972** | 8,940 |
| Share-based payments | **15,609** | 13,715 |

## 30. Commitments, contingencies and guarantees

### a) Commitments

At September 30, 2014, the Company is committed under the terms of operating leases with various expiration dates up to 2023, primarily for the rental of premises and computer equipment used in outsourcing contracts, in the aggregate amount of approximately $1,413,682,000. The future minimum lease payments under non-cancellable operating leases are due as follows:

| | $ |
|---|---|
| Less than one year | 336,370 |
| Between one and two years | 273,707 |
| Between two and five years | 576,091 |
| Beyond five years | 227,514 |

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 $306,428,000 ($326,140,000 in 2013), net of sublease income of $26,128,000 ($25,851,000 in 2013). As at September 30, 2014, the total future minimum sublease payments expected to be received under non-cancellable sublease were $100,745,000 ($110,823,000 as at September 30, 2013).

The Company entered into long-term service and other agreements representing a total commitment of $190,083,000. Minimum payments under these agreements are due as follows:

| | $ |
|---|---|
| Less than one year | 74,291 |
| Between one and two years | 62,372 |
| Between two and five years | 53,420 |
| Beyond five years | — |

### b) Contingencies

From time to time, the Company is involved in legal proceedings, audits, claims and litigation which primarily relate to tax exposure, contractual disputes and employee claims 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. Claims for which there is a probable unfavourable outcome are recorded in provisions (Note 13).

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.

## 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 $10,411,000 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, 2014. 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, 2014, the Company provided for a total of $55,911,000 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.

Moreover, the Company has letters of credit for a total of $85,959,000 in addition to the letters of credit covered by the unsecured committed revolving credit facility (Note 14). These guarantees are required in some of the Company's contracts with customers.

## 31. Financial instruments

### FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table presents financial liabilities measured at amortized cost categorized using the fair value hierarchy:

| | | **As at September 30, 2014** | | As at September 30, 2013 | |
|---|---|---|---|---|---|
| | **Level** | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| | | **$** | **$** | $ | $ |
| **Financial liabilities for which fair value is disclosed** | | | | | |
| **Other liabilities** | | | | | |
| Senior U.S. and euro unsecured notes | Level 2 | **1,476,537** | **1,528,724** | 475,787 | 510,667 |
| Unsecured committed revolving credit facility | Level 2 | **—** | **—** | 254,818 | 254,162 |
| Unsecured committed term loan credit facility | Level 2 | **1,001,752** | **1,005,792** | 1,974,490 | 1,984,773 |
| Other long-term debt | Level 2 | **22,036** | **20,276** | 14,081 | 12,269 |
| | | **2,500,325** | **2,554,792** | 2,719,176 | 2,761,871 |

The following table presents financial assets and liabilities measured at fair value categorized using the fair value hierarchy:

| | Level | **As at September 30, 2014** | As at September 30, 2013 |
|---|---|---|---|
| | | **$** | $ |
| **Financial assets** | | | |
| **Financial assets at fair value through earnings** | | | |
| Cash and cash equivalents | Level 2 | **535,715** | 106,199 |
| Deferred compensation plan assets | Level 1 | **31,151** | 24,752 |
| | | **566,866** | 130,951 |
| **Derivative financial instruments designated as hedging instruments** | | | |
| Current derivative financial instruments | Level 2 | **9,397** | 1,344 |
| Long-term derivative financial instruments | Level 2 | **14,834** | 2,518 |
| | | **24,231** | 3,862 |
| **Available for sale** | | | |
| Long-term bonds included in funds held for clients | Level 2 | **198,177** | 187,816 |
| Long-term investments | Level 2 | **30,689** | 20,333 |
| | | **228,866** | 208,149 |
| **Financial liabilities** | | | |
| **Derivative financial instruments designated as hedging instruments** | | | |
| Current derivative financial instruments | Level 2 | **4,588** | 6,882 |
| Long-term derivative financial instruments | Level 2 | **149,074** | 157,110 |
| | | **153,662** | 163,992 |

There have been no transfers between Level 1 and Level 2 for the years ended September 30, 2014 and 2013.

## 31. Financial instruments (continued)

### FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the fair value of outstanding derivative financial instruments:

| | Recorded in derivative financial instruments | **As at September 30, 2014** | As at September 30, 2013 |
|---|---|---|---|
| | | **$** | $ |
| **Hedges on net investments in foreign operations** | | | |
| $968,800 cross-currency swaps in euro designated as a hedging instrument of the Company's net investment in European operations ($1,153,700 as at September 30, 2013) | Long-term liabilities | **136,203** | 137,795 |
| **Cash flow hedges on future revenue** | | | |
| U.S.$32,000 foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the U.S. dollar and the Canadian dollar (U.S. $56,800 as at September 30, 2013) | Current assets | **—** | 1,078 |
| | Long-term assets | **—** | 300 |
| | Current liabilities | **1,651** | — |
| | Long-term liabilities | **605** | — |
| U.S.$75,216 foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the U.S. dollar and the Indian rupee (U.S.$94,436 as at September 30, 2013) | Current assets | **1,226** | — |
| | Long-term assets | **1,586** | — |
| | Current liabilities | **1,963** | 3,705 |
| | Long-term liabilities | **1,153** | 4,079 |
| $94,600 foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the Canadian dollar and the Indian rupee ($142,528 as at September 30, 2013) | Current assets | **4,276** | 266 |
| | Long-term assets | **5,937** | 838 |
| | Current liabilities | **475** | 2,605 |
| | Long-term liabilities | **45** | 1,549 |
| Kr142,600 foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the Swedish krona and the Indian rupee (kr nil as at September 30, 2013) | Current assets | **1** | — |
| | Current liabilities | **16** | — |
| | Long-term liabilities | **32** | — |
| €121,100 foreign currency forward contracts to hedge the variability in the expected foreign currency rate between the euro and the British pound (€nil as at September 30, 2013) | Current assets | **3,894** | — |
| | Long-term assets | **7,311** | — |
| €15,000 foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the euro and the Swedish krona (€31,000 as at September 30, 2013) | Current liabilities | **483** | 11 |
| | Long-term liabilities | **183** | 52 |
| €nil foreign currency forward contracts to hedge the variability in the expected foreign currency exchange rate between the euro and the Moroccan dirham (€17,000 as at September 30, 2013) | Long-term assets | **—** | 26 |
| | Current liabilities | **—** | 149 |
| | Long-term liabilities | **—** | 54 |
| **Cash flow hedges on unsecured committed term loan credit facility** | | | |
| $484,400 interest rate swaps floating-to-fixed ($1,234,400 as at September 30, 2013) | Long-term assets | **—** | 1,354 |
| | Current liabilities | **—** | 412 |
| | Long-term liabilities | **943** | 537 |
| **Fair value hedges on Senior U.S. unsecured notes** | | | |
| U.S.$250,000 interest rate swaps fixed-to-floating (U.S. $250,000 as at September 30, 2013) | Long-term liabilities | **9,910** | 13,044 |

## 31. Financial instruments (continued)

### FAIR VALUE MEASUREMENTS (CONTINUED)

Valuation techniques used to value financial instruments are as follows:

- The fair value of Senior U.S. and euro unsecured notes, the unsecured committed revolving credit facility, the unsecured committed term loan credit facility and the other long-term debt is estimated by discounting expected cash flows at rates currently offered to the Company for debts of the same remaining maturities and conditions;
- The fair value of long-term bonds included in funds held for clients and in long-term investments is determined by discounting the future cash flows using observable inputs, such as interest rate yield curves or credit spreads, or according to similar transactions on an arm's-length basis;
- The fair value of foreign currency forward contracts is determined using forward exchange rates at the end of the reporting period;
- The fair value of cross-currency swaps and interest rate swaps is determined based on market data (primarily yield curves, exchange rates and interest rates) to calculate the present value of all estimated flows.

As at September 30, 2014, there were no changes in valuation techniques.

The Company expects that approximately $4,928,000 of the accumulated net unrealized gain on derivative financial instruments designated as cash flow hedges as at September 30, 2014 will be reclassified in the consolidated statements of earnings in the next 12 months.

During the year ended September 30, 2014, the Company’s hedging relationships were effective.

### MARKET 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 on the 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 Company also has interest rate swaps whereby the Company receives a fixed rate of interest and pays interest at a variable rate on the notional amount of its Senior U.S. unsecured notes. These swaps are being used to hedge the exposure to changes in the fair value of the debt.

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 exchange rates. The Company mitigates this risk principally through foreign currency denominated debt and use of derivative financial instruments. The Company enters into foreign currency 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 foreign currency forward contracts to hedge the variability in various foreign currency exchange rates on future U.S. dollar, Canadian dollar, euro and Swedish krona revenues.

The Company 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 credit facility, Senior U.S. and euro unsecured notes.

## 31. Financial instruments (continued)

**MARKET RISK (CONTINUED)**

The Company also hedges a portion of the translation of the Company's net investments in its European operations with fixed-to-fixed and floating-to-floating cross-currency swaps. These swaps convert Canadian dollar based fixed and variable interest payments to euro based fixed and variable interest payments associated with the notional amount. During the year ended September 30, 2014, the Company settled a floating-to-floating cross-currency swap for a net amount of $28,924,000. The loss on settlement was recognized in other comprehensive income and will be transferred to earnings when the net investment is disposed of.

During the year ended September 30, 2014, the Company entered into a foreign currency forward contract to hedge the net investment in its U.S. operations. The foreign currency forward contract was subsequently settled for an amount of $8,792,000. The loss on settlement was recognized in other comprehensive income and will be transferred to earnings when the net investment is disposed of.

Hedging relationships are designated and documented at inception and quarterly effectiveness assessments are performed during the year.

In addition, to mitigate foreign exchange risk arising from transactions denominated in currencies other than the Company's functional currency, assets and liabilities not denominated in the functional currencies are hedged economically. During the year ended September 30, 2013, a fair value gain on the cross-currency swap amounted to $21,325,000 and was offsetting a translation exchange loss on the unsecured committed term loan credit facility of $21,600,000. A fair value loss of $6,992,000 on the foreign currency forward contracts was also offsetting a translation exchange gain. The gains and losses on the economic hedges and the hedged instruments were recorded in foreign exchange gain in the consolidated statements of earnings. As at September 30, 2013, these contracts were terminated, and no such transactions occurred for the year ended September 30, 2014.

The Company is mainly exposed to fluctuations in the Swedish krona, U.S. dollar, the euro and the British pound. The following table details the Company's sensitivity to a 10% strengthening of the Swedish krona, 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 on net earnings presents the impact of foreign currency denominated financial instruments and adjusts their translation at period end for a 10% strengthening in foreign currency rates. The sensitivity analysis on other comprehensive income presents the impact of a 10% strengthening in foreign currency rates on the fair value of foreign currency forward contracts designated as cash flow hedges and on net investment hedges.

| | | | | **2014** | | | | 2013 |
|---|---|---|---|---|---|---|---|---|
| | **Swedish krona impact** | **U.S. dollar impact** | **euro impact** | **British pound impact** | Swedish krona impact | U.S. dollar impact | euro impact | British pound impact |
| (Decrease) increase in net earnings | **(402)** | **(1,178)** | **7,787** | **(73)** | 11,548 | 6,682 | 5,921 | 55 |
| Decrease in other comprehensive income | **(2,171)** | **(149,474)** | **(143,468)** | **—** | — | (71,751) | (150,066) | — |

## 31. Financial instruments (continued)

### LIQUIDITY RISK

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's activities are financed through a combination of the cash flows from operations, borrowing under existing credit facilities, the issuance of debt and the issuance of equity. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows.

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities. All amounts contractually denominated in foreign currency are presented in Canadian dollar equivalent amounts using the period-end spot rate.

| **As at September 30, 2014** | **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 | **1,060,380** | 1,060,380 | 1,060,380 | — | — | — |
| Accrued compensation | **583,979** | 583,879 | 583,879 | — | — | — |
| Senior U.S. & euro unsecured notes | **1,476,537** | 1,912,490 | 58,900 | 58,900 | 571,595 | 1,223,095 |
| Unsecured committed term loan credit facility | **1,001,752** | 1,051,603 | 27,732 | 1,023,871 | — | — |
| Obligations other than finance leases | **117,680** | 124,475 | 42,838 | 36,394 | 45,243 | — |
| Obligations under finance leases | **61,698** | 64,397 | 33,813 | 21,323 | 9,261 | — |
| Other long-term debt | **22,036** | 22,036 | 8,286 | 3,726 | 3,562 | 6,462 |
| Clients' funds obligations | **292,257** | 292,257 | 292,257 | — | — | — |
| Derivative financial liabilities | | | | | | |
| Cash flow hedges on future revenue | **(17,625)** | | | | | |
| Outflow | | 6,959 | 4,731 | 2,113 | 115 | — |
| (Inflow) | | (26,041) | (9,658) | (9,415) | (6,968) | — |
| Cross-currency swaps | **136,203** | | | | | |
| Outflow | | 1,140,662 | 21,686 | 1,118,976 | — | — |
| (Inflow) | | (1,023,136) | (32,566) | (990,570) | — | — |
| Interest rate swaps | **10,853** | | | | | |
| Outflow | | 848,249 | 16,687 | 498,726 | 28,697 | 304,139 |
| (Inflow) | | (879,626) | (20,053) | (502,440) | (41,950) | (315,183) |
| | **4,745,750** | 5,178,584 | 2,088,912 | 1,261,604 | 609,555 | 1,218,513 |

## 31. Financial instruments (continued)

### LIQUIDITY RISK (CONTINUED)

| As at September 30, 2013 | 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 | 1,119,034 | 1,119,034 | 1,119,034 | — | — | — |
| Accrued compensation | 713,933 | 713,933 | 713,933 | — | — | — |
| Senior U.S. unsecured notes | 475,787 | 643,324 | 22,308 | 22,308 | 149,547 | 449,161 |
| Unsecured committed revolving credit facility | 254,818 | 273,935 | 6,000 | 6,000 | 261,935 | — |
| Unsecured committed term loan credit facility | 1,974,490 | 2,105,910 | 544,955 | 536,547 | 1,024,408 | — |
| Obligations other than finance leases | 79,446 | 84,392 | 21,940 | 24,861 | 37,449 | 142 |
| Obligations under finance leases | 67,928 | 71,200 | 23,870 | 24,459 | 22,470 | 401 |
| Other long-term debt | 14,081 | 14,081 | 5,023 | 1,129 | 2,972 | 4,957 |
| Clients' funds obligations | 220,279 | 220,279 | 220,279 | — | — | — |
| Derivative financial liabilities | | | | | | |
| Cash flow hedges on future revenue | 9,696 | | | | | |
| Outflow | | 13,523 | 6,740 | 4,679 | 2,104 | — |
| (Inflow) | | (2,746) | (1,367) | (631) | (748) | — |
| Cross-currency swaps | 137,795 | | | | | |
| Outflow | | 1,356,654 | 25,153 | 231,178 | 1,100,323 | — |
| (Inflow) | | (1,248,720) | (37,835) | (220,777) | (990,108) | — |
| Interest rate swaps | 12,639 | | | | | |
| Outflow | | 1,596,637 | 474,184 | 318,714 | 515,635 | 288,104 |
| (Inflow) | | (1,625,755) | (475,879) | (321,066) | (526,778) | (302,032) |
| | 5,079,926 | 5,335,681 | 2,668,338 | 627,401 | 1,599,209 | 440,733 |

As at September 30, 2014, the Company holds cash and cash equivalents, short-term investments and long-term investments of $566,404,000 ($126,601,000 as at September 30, 2013). The Company also has available $1,463,280,000 in unsecured committed revolving credit facility ($1,210,630,000 as at September 30, 2013). The funds held for clients of $295,754,000 ($222,469,000 as at September 30, 2013) fully cover the clients' funds obligations. As at September 30, 2014, accounts receivable amount to $1,036,068,000 ($1,205,625,000 as at September 30, 2013). 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.

## 31. Financial instruments (continued)

### CREDIT RISK

The Company takes on exposure to credit risk, which is the risk that a counterparty 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, accounts receivable and long-term investments. The maximum exposure of credit risk is generally represented by the carrying amount 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 its cash and 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 investments, long-term investments through the possible inability of borrowers to meet the terms of their obligations. 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 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. Overall, management does not believe that any single industry or geographic region represents a significant credit risk to the Company.

The following table sets forth details of the age of accounts receivable that are past due:

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| Not past due | **716,435** | 814,054 |
| Past due 1-30 days | **86,796** | 109,942 |
| Past due 31-60 days | **29,133** | 43,909 |
| Past due 61-90 days | **15,012** | 32,309 |
| Past due more than 90 days | **30,982** | 21,022 |
| | **878,358** | 1,021,236 |
| Allowance for doubtful accounts | **(4,892)** | (2,246) |
| | **873,466** | 1,018,990 |

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.

## 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. As at September 30, 2014, total managed capital was $8,234,832 ($7,048,848 as at September 30, 2013). Managed capital consists of long-term debt, including the current portion (Note 14), cash and cash equivalents (Note 4), short-term investments, long-term investments (Note 11) 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 additional measures. Net debt represents debt (including the impact of the fair value of derivative financial instruments) less cash and cash equivalents, 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 integration-related 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. and euro unsecured notes and unsecured committed term loan credit facility. The ratios are as follows:

- A leverage ratio, which is the ratio of total debt to EBITDA for the four most recent quarters[1].
- 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[1].
- In the case of the Senior U.S. and euro 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.