Consolidated Financial Statements of

CGI GROUP INC.

For the years ended September 30, 2017 and 2016

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 reports follow. 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 Audit and Risk Management Committee of the Board of Directors reviews the disclosure of financial information and oversees the functioning of the Company's financial 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 formulate 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.

George D. Schindler
President and Chief Executive Officer

François Boulanger
Executive Vice-President and Chief Financial Officer

November 7, 2017

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 International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 2017 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 (2013 COSO framework). Based on this assessment, management has determined the Company's internal control over financial reporting as at September 30, 2017 was effective.

The effectiveness of the Company's internal control over financial reporting as at September 30, 2017 has been audited by the Company's independent auditors, as stated in their report appearing on page 3.

George D. Schindler
President and Chief Executive Officer

François Boulanger
Executive Vice-President and Chief Financial Officer

November 7, 2017

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, 2017, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO 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, 2017 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, 2017, and our report dated November 7, 2017 expressed an unqualified opinion thereon.

Ernst & Young LLP[1]

Ernst & Young LLP

Montréal, Canada
November 7, 2017

1. CPA auditor, CA, public accountancy permit No. A113209

Management's and Auditors' Reports

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, 2017 and 2016 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended September 30, 2017 and 2016, 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, 2017 and 2016, and its financial performance and its cash flows for the years ended September 30, 2017 and 2016, 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, 2017, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO framework) and our report dated November 7, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

Ernst & Young LLP[1]

Ernst & Young LLP

Montréal, Canada
November 7, 2017

1. CPA auditor, CA, public accountancy permit No. A113209

Consolidated Statements of Earnings

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

	2017	2016
	$	$
Revenue	**10,845,066**	10,683,264
Operating expenses		
Costs of services, selling and administrative (Note 22)	**9,257,659**	9,120,929
Acquisition-related and integration costs (Note 26b)	**10,306**	—
Restructuring costs (Note 24)	**88,628**	29,100
Net finance costs (Note 25)	**69,792**	78,426
Foreign exchange loss	**784**	2,024
	9,427,169	9,230,479
Earnings before income taxes	**1,417,897**	1,452,785
Income tax expense (Note 15)	**382,702**	384,069
Net earnings	**1,035,195**	1,068,716
Earnings per share (Note 20)		
Basic earnings per share	**3.48**	3.51
Diluted earnings per share	**3.41**	3.42

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

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

	2017	2016
	$	$
Net earnings	**1,035,195**	1,068,716
Items that will be reclassified subsequently to net earnings (net of income taxes):		
Net unrealized losses on translating financial statements of foreign operations	**(141,465)**	(274,283)
Net gains on derivative financial instruments and on translating long-term debt designated as hedges of net investments in foreign operations	**13,109**	18,446
Net unrealized losses on cash flow hedges	**(12,261)**	(18,297)
Net unrealized (losses) gains on available-for-sale investments	**(3,509)**	229
Items that will not be reclassified subsequently to net earnings (net of income taxes):		
Net remeasurement losses on defined benefit plans	**(611)**	(20,193)
Other comprehensive loss	**(144,737)**	(294,098)
Comprehensive income	**890,458**	774,618

See Notes to the Consolidated Financial Statements.

Consolidated Balance Sheets

As at September 30
(in thousands of Canadian dollars)

	2017	2016
	$	$
Assets		
Current assets		
Cash and cash equivalents (Notes 27d and 31)	**165,872**	596,529
Accounts receivable (Note 4)	**1,285,880**	1,101,606
Work in progress	**922,620**	935,496
Current derivative financial instruments (Note 31)	**8,152**	22,226
Prepaid expenses and other current assets	**160,402**	170,393
Income taxes	**6,541**	7,876
Total current assets before funds held for clients	**2,549,467**	2,834,126
Funds held for clients (Note 5)	**313,552**	369,530
Total current assets	**2,863,019**	3,203,656
Property, plant and equipment (Note 6)	**396,613**	439,293
Contract costs (Note 7)	**243,056**	211,018
Intangible assets (Note 8)	**490,426**	509,781
Other long-term assets (Note 9)	**85,159**	86,970
Long-term financial assets (Note 10)	**111,307**	129,383
Deferred tax assets (Note 15)	**146,602**	179,898
Goodwill (Note 11)	**7,060,030**	6,933,333
	11,396,212	11,693,332
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**1,004,307**	1,107,863
Accrued compensation	**578,886**	523,553
Current derivative financial instruments (Note 31)	**12,069**	4,517
Deferred revenue	**409,332**	390,367
Income taxes	**174,102**	159,410
Provisions (Note 12)	**86,154**	34,924
Current portion of long-term debt (Note 13)	**122,467**	192,036
Total current liabilities before clients' funds obligations	**2,387,317**	2,412,670
Clients' funds obligations	**314,233**	365,994
Total current liabilities	**2,701,550**	2,778,664
Long-term provisions (Note 12)	**40,892**	40,454
Long-term debt (Note 13)	**1,739,536**	1,718,939
Other long-term liabilities (Note 14)	**213,436**	244,307
Long-term derivative financial instruments (Note 31)	**82,365**	46,473
Deferred tax liabilities (Note 15)	**213,515**	183,579
Retirement benefits obligations (Note 16)	**202,292**	216,308
	5,193,586	5,228,724
Equity		
Retained earnings	**3,794,439**	3,778,848
Accumulated other comprehensive income (Note 17)	**159,391**	304,128
Capital stock (Note 18)	**2,054,725**	2,194,731
Contributed surplus	**194,071**	186,901
	6,202,626	6,464,608
	11,396,212	11,693,332

See Notes to the Consolidated Financial Statements.

Approved by the Board

George D. Schindler
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, 2016	3,778,848	304,128	2,194,731	186,901	6,464,608
Net earnings	1,035,195	—	—	—	1,035,195
Other comprehensive loss	—	(144,737)	—	—	(144,737)
Comprehensive income	1,035,195	(144,737)	—	—	890,458
Share-based payment costs	—	—	—	34,443	34,443
Income tax impact associated with stock options	—	—	—	5,961	5,961
Exercise of stock options (Note 18)	—	—	60,943	(11,169)	49,774
Exercise of performance share units (PSUs) (Note 18)	—	—	23,666	(23,666)	—
Purchase of Class A subordinate shares for cancellation (Note 18)	(1,019,604)	—	(227,060)	—	(1,246,664)
Resale of Class A subordinate shares held in trust (Note 18)	—	—	2,445	1,601	4,046
Balance as at September 30, 2017	**3,794,439**	**159,391**	**2,054,725**	**194,071**	**6,202,626**

	Retained earnings	Accumulated other comprehensive income	Capital stock	Contributed surplus	Total equity
	$	$	$	$	$
Balance as at September 30, 2015	3,057,578	598,226	2,254,245	172,120	6,082,169
Net earnings	1,068,716	—	—	—	1,068,716
Other comprehensive loss	—	(294,098)	—	—	(294,098)
Comprehensive income	1,068,716	(294,098)	—	—	774,618
Share-based payment costs	—	—	—	38,299	38,299
Income tax impact associated with stock options	—	—	—	19,704	19,704
Exercise of stock options (Note 18)	—	—	111,405	(21,972)	89,433
Exercise of PSUs (Note 18)	—	—	21,250	(21,250)	—
Purchase of Class A subordinate shares for cancellation (Note 18)	(347,446)	—	(170,374)	—	(517,820)
Purchase of Class A subordinate shares held in trust (Note 18)	—	—	(21,795)	—	(21,795)
Balance as at September 30, 2016	3,778,848	304,128	2,194,731	186,901	6,464,608

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

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

	2017	2016
	$	$
Operating activities		
Net earnings	**1,035,195**	1,068,716
Adjustments for:		
Amortization and depreciation (Note 23)	**377,204**	400,060
Deferred income tax expense (Note 15)	**60,897**	96,490
Foreign exchange gain	**(3,102)**	(2,618)
Share-based payment costs	**34,443**	38,299
Net change in non-cash working capital items (Note 27a)	**(146,085)**	(267,873)
Cash provided by operating activities	**1,358,552**	1,333,074
Investing activities		
Business acquisitions (net of cash acquired) (Note 26a)	**(283,061)**	(38,442)
Purchase of property, plant and equipment	**(112,667)**	(165,516)
Proceeds from sale of property, plant and equipment	**3,317**	10,254
Additions to contract costs	**(95,676)**	(103,156)
Additions to intangible assets	**(106,267)**	(100,963)
Purchase of long-term investments	**(5,150)**	(14,701)
Proceeds from sale of long-term investments	**7,248**	29,629
Payments received from long-term receivables	**—**	164
Cash used in investing activities	**(592,256)**	(382,731)
Financing activities		
Net change in unsecured committed revolving credit facility (Note 13)	**200,000**	—
Increase of long-term debt	**18,921**	40,508
Repayment of long-term debt	**(199,841)**	(223,159)
Repayment of debt assumed in business acquisitions	**(9,119)**	—
Settlement of derivative financial instruments (Note 31)	**—**	(24,057)
Purchase of Class A subordinate shares held in trust (Note 18)	**—**	(21,795)
Resale of Class A subordinate shares held in trust (Note 18)	**4,046**	—
Purchase and cancellation of Class A subordinate shares (Note 18)	**(1,246,664)**	(527,286)
Issuance of Class A subordinate shares	**49,671**	89,485
Cash used in financing activities	**(1,182,986)**	(666,304)
Effect of foreign exchange rate changes on cash and cash equivalents	**(13,967)**	7,228
Net (decrease) increase in cash and cash equivalents	**(430,657)**	291,267
Cash and cash equivalents, beginning of year	**596,529**	305,262
Cash and cash equivalents, end of year	**165,872**	596,529

Supplementary cash flow information (Note 27).

See Notes to the Consolidated Financial Statements.

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) 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, 2017 and 2016 were authorized for issue by the Board of Directors on November 7, 2017.

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.

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 and 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 within the next financial year: deferred tax assets, revenue recognition, estimated losses on revenue-generating contracts, goodwill impairment, business combinations, provisions for income tax uncertainties and litigation and claims.

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

Revenue recognition of 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.

3. Summary of significant accounting policies (continued)

USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

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 judgement 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 forecasts 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.

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's 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 has the primary responsibility for providing the product or service, adds meaningful value to the vendor’s product or service, has discretion in supplier selection and assumes credit risks.

Relative selling price

The Company’s arrangements often include a mix of the services and products as described 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.

3. Summary of significant accounting policies (continued)

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

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 period. The Company primarily uses labour costs or labour hours to measure the progress towards completion. This method relies on estimates of total expected labour costs or total expected labour hours to complete the service, which are compared to labour costs or labour hours incurred to date, to arrive at an estimate of the percentage of revenue earned to date. Management regularly reviews underlying estimates of total expected labour costs or hours. If the outcome of an arrangement cannot be estimated reliably, revenue is recognized to the extent of arrangement costs incurred if it is probable that such costs will 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 sufficient amounts to fund the value on which revenue recognition is based.

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 section 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 performance of services or delivery of products are classified as deferred revenue.

Estimated losses on revenue-generating contracts

Estimated losses on revenue-generating contracts may occur due to additional 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 claims holders, 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 sheet date. The market fluctuations affect the fair value of the long-term bonds. Due to those fluctuations, funds held for clients might not equal to the clients' funds obligations.

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.

3. Summary of significant accounting policies (continued)

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

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 lease term, 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, typically for premises, 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 mostly of costs associated with the installation of systems and processes, as well as conversion of the client's applications to the Company's platforms incurred after the award of outsourcing and BPS contracts. 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 but the contract has not yet been signed.

Amortization of contract costs

Contract costs are amortized using the straight-line method over the period services are provided. Amortization of transition costs and pre-contract costs, if any, is included in costs of services, selling and administrative and amortization of incentives is recorded as a reduction of revenue.

3. Summary of significant accounting policies (continued)

CONTRACT COSTS (CONTINUED)

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.

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. 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. Business solutions developed internally and marketed are capitalized when they meet specific capitalization criteria related to technical, market and financial feasibility. 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 and discount rates.

Amortization of intangible assets

The Company amortizes its intangible assets using the straight-line method over their 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 the 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 represents the lowest level within the Company at which management monitors goodwill is the operating segment level.

3. Summary of significant accounting policies (continued)

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

Impairment testing (continued)

The recoverable amount of each operating 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 operating 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.

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 recoverable amount of the asset. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount of the asset 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 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. Management makes assumptions when determining the acquisition-date fair values of the identifiable tangible and intangible assets acquired and liabilities assumed which involve estimates, such as the forecasting of future cash flows, discount rates, and the useful lives of the assets acquired. 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 related to internal-use software and business solutions 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 as described in the Intangible assets section above.

3. Summary of significant accounting policies (continued)

TAX CREDITS

The Company follows the income approach to account for research and development (R&D) and other 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 expenses and recognized in the period in which the related expenditures are charged to earnings. Tax credits related to capital expenditures are recorded as a reduction of the cost of the related assets. 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.

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 sheets date.

Deferred tax assets and liabilities are determined based on deductible or taxable temporary differences between the amounts reported for consolidated 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 tax assets and liabilities are recognized in earnings, in 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 forecasts and future tax planning strategies. Estimates of taxable profit are made based on the forecast by jurisdiction on an undiscounted basis. In addition, management considers factors such as substantively enacted tax rates, 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 asset or reduces an income tax liability only when it is probable that the tax asset 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 such as experience of previous tax audits or interpretations of tax regulations.

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 vacated premises, litigation and claims provisions arising in the ordinary course of business and decommissioning liabilities for operating leases of office buildings. The Company also records restructuring provisions for termination of employment costs related to its productivity improvement initiatives and to the integration of its 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 provisions due to the passage of time is recognized as finance costs.

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 claims 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.

3. Summary of significant accounting policies (continued)

PROVISIONS (CONTINUED)

Decommissioning liabilities pertain to operating leases of 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 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, appropriate timelines and has been communicated to those affected by it.

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 sheets 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 at exchange rates in effect at the balance sheets 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 sheets date and non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at average exchange rates during 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, officers and directors 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 options 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 costs of services, selling and administrative.

3. Summary of significant accounting policies (continued)

SHARE-BASED PAYMENTS (CONTINUED)

Cash-settled deferred share units

The Company operates a deferred share unit (DSU) plan to compensate the members of the Board of Directors. The expense is recognized within costs of services, selling and administrative for each DSU granted equal to the closing price of Class A subordinate shares of the Company on the TSX at the date on which DSUs are awarded and a corresponding liability is recorded in accrued compensation. After the grant date, the DSU liability is remeasured for subsequent changes in the fair value of the Company's shares.

FINANCIAL INSTRUMENTS

All financial instruments are initially measured at their fair value. 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 value.

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. In addition, deferred compensation plan assets within long-term financial 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 within long-term financial assets.

Available-for-sale

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

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 sheets 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's 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.

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.

Hedges of 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.

Cash flow hedges of future revenue and long-term debt

The majority of the Company's costs are denominated in currency other than the Canadian dollar. The risk of foreign exchange fluctuation impacting the results is substantially mitigated by matching the Company's costs with revenue denominated in the same currency. In certain cases where there is a substantial imbalance for a specific currency, the Company enters into foreign currency forward contracts to hedge the variability in the foreign currency exchange rates.

The Company also uses interest rate and cross-currency swaps to hedge either the cash flow exposure or the foreign exchange exposure of the long-term debt.

3. Summary of significant accounting policies (continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

Cash flow hedges of future revenue and long-term debt (continued)

Those derivatives are 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 of 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.

EMPLOYEE BENEFITS

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

The cost of defined contribution plans is charged to the consolidated statements of earnings on the basis of contributions payable by the Company during the year.

For defined benefit plans, the defined benefit obligations are calculated 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 obligations 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 benefits 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.

3. Summary of significant accounting policies (continued)

EMPLOYEE BENEFITS (CONTINUED)

The current service cost is recognized in the consolidated statements of earnings under costs of services, selling and administrative. The net interest cost calculated by applying the discount rate to the net defined benefit liabilities or assets 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 benefits that relates to past services or the gains or losses 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 on defined benefit plans 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 liabilities or assets. Remeasurements are charged or credited to other comprehensive income in the period in which they arise.

FUTURE ACCOUNTING STANDARD CHANGES

The following standards have been issued but are not yet effective. The Company’s preliminary assessments are subject to change, as the Company is progressing in the assessment of the impact of these standards on its consolidated financial statements.

IAS 7 - Statement of Cash Flows

In January 2016, the IASB amended IAS 7, *Statement of Cash Flows*, to require enhanced disclosure about changes in liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair value. The amendments to IAS 7 are effective on October 1, 2017 for the Company and the additional disclosures will be provided in its consolidated financial statements for the year ended September 30, 2018.

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. The standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and other revenue related interpretations.

The standard will be effective on October 1, 2018 for the Company. Accordingly, IFRS 15 will be applied in the Company's interim consolidated financial statements for the three months ended December 31, 2018. The standard permits two possible transition methods for its application: i) retrospectively to each prior reporting period presented or ii) retrospectively with the cumulative effect of initially applying the standard recognized on the date of the initial application. The Company has not yet selected a transition method.

In preparation for the conversion to IFRS 15, the Company has developed a detailed conversion plan consisting of four phases: 1) awareness, 2) detailed impact assessment, 3) design and 4) implementation. As part of the awareness phase, the Company has established a Steering Committee responsible for monitoring the progress and approving recommendations from the project team. The Steering Committee meets regularly and quarterly updates are provided to the Audit and Risk Management Committee.

The Company has completed the awareness phase which also involved a high-level review of the differences between current requirements and IFRS 15. The Company is progressing through the second phase of the conversion plan which encompasses a detailed impact assessment of the differences identified. Generally, the Company expects that revenue from outsourcing, BPS and systems integration and consulting services arrangements will continue to be recognized as the services are provided in a manner that is consistent with its current accounting policies. The Company is in the process of evaluating the impact of the standard on the revenue recognition from software licenses and the additional disclosure requirements.

The remaining two phases, design and implementation are being conducted concurrently up until the effective date. The impacts on the other key elements such as IT changes, education and training requirements, internal control over financial reporting and impacts on business activities of the Company’s conversion plan will be assessed during those phases.

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

3. Summary of significant accounting policies (continued)

FUTURE ACCOUNTING STANDARD CHANGES (CONTINUED)

IFRS 9 - Financial Instruments

In July 2014, the IASB amended IFRS 9, *Financial Instruments*, to replace IAS 39, *Financial Instruments: Recognition and Measurement.* The standard will be effective on October 1, 2018 for the Company and is required to be applied retrospectively. Accordingly, IFRS 9 will be applied in the interim consolidated financial statements for the three months ended December 31, 2018.

The standard simplifies the classification of financial assets, while carrying forward most of the requirements of IAS 39. The standard introduces a new impairment model, which allows the use of a simplified approach, and a new hedge accounting model that is more closely aligned with risk-management activities. The Company has performed a high-level review of the differences between IAS 39 and IFRS 9. Based on the preliminary assessment performed to date, the Company does not expect a significant impact on its consolidated financial statements.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) Interpretation 22, *Foreign Currency Transactions and Advance Consideration*, to clarify the transaction date for the purpose of determining the exchange rate to use on initial recognition of the related transactions when the Company has received or paid in advance consideration in a foreign currency. This interpretation will be effective on October 1, 2018 for the Company, with earlier application permitted. Based on the preliminary assessment performed to date, the Company does not expect a significant impact on its consolidated financial statements.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16, *Leases*, to set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease agreement. The standard supersedes IAS 17, *Leases*, and other lease related interpretations, eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. The standard will be effective on October 1, 2019 for the Company with earlier application permitted. When the Company is the lessee, it is expected that the application of IFRS 16 will result in on-balance sheet recognition of most of its lease agreements that are currently considered operating leases, which are primarily for the rental of premises. The Company also expects a decrease of its property costs and an increase of its finance costs and amortization and depreciation resulting from the change in the recognition, measurement and presentation of rental expenses.

4. Accounts receivable

	As at September 30, 2017	As at September 30, 2016
	$	$
Trade (Note 31)	**931,530**	816,885
R&D and other tax credits	**246,616**	187,047
Other	**107,734**	97,674
	1,285,880	1,101,606

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

5. Funds held for clients

	As at September 30, 2017	As at September 30, 2016
	$	$
Cash	**118,043**	173,554
Long-term bonds (Note 31)	**195,509**	195,976
	313,552	369,530

6. Property, plant and equipment

	Land and buildings	**Leasehold improvements**	**Furniture, fixtures and equipment**	**Computer equipment**	**Total**
	$	**$**	**$**	**$**	**$**
Cost					
As at September 30, 2016	68,576	206,193	165,807	651,742	1,092,318
Additions	2,475	16,438	12,642	89,402	120,957
Additions - business acquisitions (Note 26a)	—	673	1,206	3,609	5,488
Disposals/retirements	(4,076)	(11,141)	(13,696)	(87,158)	(116,071)
Foreign currency translation adjustment	(1,335)	(1,837)	(1,943)	(12,232)	(17,347)
As at September 30, 2017	**65,640**	**210,326**	**164,016**	**645,363**	**1,085,345**
Accumulated depreciation					
As at September 30, 2016	15,001	146,836	97,574	393,614	653,025
Depreciation expense (Note 23)	2,324	20,687	15,796	114,047	152,854
Impairment (Notes 23 and 24)	4,985	—	364	558	5,907
Disposals/retirements	(1,350)	(10,932)	(13,558)	(87,126)	(112,966)
Foreign currency translation adjustment	(269)	(1,790)	(1,045)	(6,984)	(10,088)
As at September 30, 2017	**20,691**	**154,801**	**99,131**	**414,109**	**688,732**
Net carrying amount as at September 30, 2017	**44,949**	**55,525**	**64,885**	**231,254**	**396,613**

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Total
	$	$	$	$	$
Cost					
As at September 30, 2015	84,432	209,594	159,947	665,633	1,119,606
Additions	650	18,987	19,085	134,322	173,044
Disposals/retirements	(12,947)	(16,123)	(9,278)	(114,575)	(152,923)
Foreign currency translation adjustment	(3,559)	(6,265)	(3,947)	(33,638)	(47,409)
As at September 30, 2016	68,576	206,193	165,807	651,742	1,092,318
Accumulated depreciation					
As at September 30, 2015	14,589	147,219	89,121	395,568	646,497
Depreciation expense (Note 23)	5,590	19,860	17,187	120,468	163,105
Disposals/retirements	(3,673)	(16,123)	(6,522)	(102,245)	(128,563)
Foreign currency translation adjustment	(1,505)	(4,120)	(2,212)	(20,177)	(28,014)
As at September 30, 2016	15,001	146,836	97,574	393,614	653,025
Net carrying amount as at September 30, 2016	53,575	59,357	68,233	258,128	439,293

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

6. Property, plant and equipment (continued)

PP&E include the following assets acquired under finance leases:

	As at September 30, 2017			As at September 30, 2016		
	Cost	**Accumulated depreciation**	**Net carrying amount**	Cost	Accumulated depreciation	Net carrying amount
	$	**$**	**$**	$	$	$
Furniture, fixtures and equipment	**15,201**	**6,381**	**8,820**	18,030	9,082	8,948
Computer equipment	**46,514**	**29,992**	**16,522**	64,484	40,668	23,816
	61,715	**36,373**	**25,342**	82,514	49,750	32,764

7. Contract costs

	As at September 30, 2017			As at September 30, 2016		
	Cost	**Accumulated amortization**	**Net carrying amount**	Cost	Accumulated amortization	Net carrying amount
	$	**$**	**$**	$	$	$
Transition costs	**420,475**	**185,461**	**235,014**	392,908	189,381	203,527
Incentives	**58,978**	**50,936**	**8,042**	97,140	89,649	7,491
	479,453	**236,397**	**243,056**	490,048	279,030	211,018

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

8. 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, 2016	92,824	72,332	94,209	382,380	213,777	935,100	1,790,622
Additions	11,815	23,201	—	43,934	19,563	—	98,513
Additions - business acquisitions (Note 26a)	78	—	—	—	255	50,141	50,474
Disposals/retirements	(4,750)	(805)	(7,330)	(24,271)	(12,804)	—	(49,960)
Foreign currency translation adjustment	(920)	60	(2,835)	(14,419)	(2,916)	(19,554)	(40,584)
As at September 30, 2017	**99,047**	**94,788**	**84,044**	**387,624**	**217,875**	**965,687**	**1,849,065**
Accumulated amortization							
As at September 30, 2016	72,368	46,513	81,611	237,953	111,593	730,803	1,280,841
Amortization expense (Note 23)	7,232	5,102	6,120	32,758	34,640	71,181	157,033
Disposals/retirements	(4,750)	(805)	(7,330)	(24,271)	(12,804)	—	(49,960)
Foreign currency translation adjustment	(564)	32	(2,250)	(9,089)	(1,757)	(15,647)	(29,275)
As at September 30, 2017	**74,286**	**50,842**	**78,151**	**237,351**	**131,672**	**786,337**	**1,358,639**
Net carrying amount as at September 30, 2017	**24,761**	**43,946**	**5,893**	**150,273**	**86,203**	**179,350**	**490,426**

	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, 2015	92,959	55,340	128,370	388,040	174,095	954,667	1,793,471
Additions	5,669	17,112	1,943	37,501	68,683	—	130,908
Additions - business acquisitions	—	—	—	—	—	8,984	8,984
Disposals/retirements	(629)	—	(34,190)	(36,062)	(22,795)	—	(93,676)
Foreign currency translation adjustment	(5,175)	(120)	(1,914)	(7,099)	(6,206)	(28,551)	(49,065)
As at September 30, 2016	92,824	72,332	94,209	382,380	213,777	935,100	1,790,622
Accumulated amortization							
As at September 30, 2015	66,481	42,464	110,818	247,518	100,616	656,763	1,224,660
Amortization expense (Note 23)	9,880	4,066	6,467	30,341	35,583	90,558	176,895
Disposals/retirements	(629)	—	(34,190)	(36,062)	(22,196)	—	(93,077)
Foreign currency translation adjustment	(3,364)	(17)	(1,484)	(3,844)	(2,410)	(16,518)	(27,637)
As at September 30, 2016	72,368	46,513	81,611	237,953	111,593	730,803	1,280,841
Net carrying amount as at September 30, 2016	20,456	25,819	12,598	144,427	102,184	204,297	509,781

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

9. Other long-term assets

	As at September 30, 2017	As at September 30, 2016
	$	$
Long-term maintenance agreements	**25,561**	20,942
Insurance contracts held to fund defined benefit pension and life assurance arrangements - reimbursement rights (Note 16)	**23,945**	24,435
Retirement benefits assets (Note 16)	**11,623**	8,797
Deposits	**10,843**	9,893
Deferred financing fees	**3,292**	2,882
Other	**9,895**	20,021
	85,159	86,970

10. Long-term financial assets

	As at September 30, 2017	As at September 30, 2016
	$	$
Deferred compensation plan assets (Notes 16 and 31)	**46,906**	42,139
Long-term investments (Note 31)	**23,047**	27,246
Long-term receivables	**16,415**	10,239
Long-term derivative financial instruments (Note 31)	**24,939**	49,759
	111,307	129,383

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

11. Goodwill

The Company's operations are managed through the following seven operating segments referred to as the Company's Strategic Business Units, namely: United States of America (U.S.); Nordics; Canada; France (including Luxembourg and Morocco) (France); United Kingdom (U.K.); Eastern, Central and Southern Europe (primarily Netherlands and Germany) (ECS); and Asia Pacific (including Australia, India and the Philippines) (Asia Pacific). The operating segments reflect the current management structure and the way that the chief operating decision-maker, who is the President and Chief Executive Officer of the Company, evaluates the business.

The Company completed the annual impairment test as at September 30, 2017 and did not identify any impairment.

The variations in goodwill were as follows:

	U.S.	Nordics	Canada	France	U.K.	ECS	Asia Pacific	Total
	$	$	$	$	$	$	$	$
As at September 30, 2016	1,743,020	1,190,615	1,112,146	881,627	839,016	853,311	313,598	6,933,333
Business acquisitions	238,322	—	—	—	—	—	—	238,322
Foreign currency translation adjustment	(95,279)	(709)	—	2,092	(14,751)	4,057	(7,035)	(111,625)
As at September 30, 2017	**1,886,063**	**1,189,906**	**1,112,146**	**883,719**	**824,265**	**857,368**	**306,563**	**7,060,030**

Key assumptions in goodwill impairment testing

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

As at September 30, 2017	**U.S.**	**Nordics**	**Canada**	**France**	**U.K.**	**ECS**	**Asia Pacific**
	%	**%**	**%**	**%**	**%**	**%**	**%**
Pre-tax WACC	**11.7**	**9.2**	**8.9**	**9.3**	**8.1**	**9.0**	**17.2**
Long-term growth rate of net operating cash flows[1]	**2.0**	**1.9**	**2.0**	**2.0**	**1.9**	**1.9**	**2.0**

As at September 30, 2016	U.S.	Nordics	Canada	France	U.K.	ECS	Asia Pacific
	%	%	%	%	%	%	%
Pre-tax WACC	11.8	10.0	9.0	9.2	8.1	9.1	19.2
Long-term growth rate of net operating cash flows[1]	2.0	1.9	2.0	2.0	1.9	1.9	2.0

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

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

12. Provisions

	Onerous leases[1, 4]	Litigation and claims[2]	Decommissioning liabilities[3]	Restructuring[4]	Total
	$	$	$	$	$
As at September 30, 2016	16,246	9,000	36,706	13,426	75,378
Additional provisions	17,326	4,207	1,933	72,633	96,099
Utilized amounts	(7,055)	(3,649)	(1,698)	(23,047)	(35,449)
Reversals of unused amounts	(1,417)	(2,859)	(4,480)	—	(8,756)
Discount rate adjustment and imputed interest	139	—	291	—	430
Foreign currency translation adjustment	(278)	(127)	(367)	116	(656)
As at September 30, 2017	**24,961**	**6,572**	**32,385**	**63,128**	**127,046**
Current portion	**9,845**	**6,572**	**7,867**	**61,870**	**86,154**
Non-current portion	**15,116**	**—**	**24,518**	**1,258**	**40,892**

	Onerous leases[1, 4]	Litigation and claims[2]	Decommissioning liabilities[3]	Restructuring[4]	Total
	$	$	$	$	$
As at September 30, 2015	39,483	24,159	38,753	54,640	157,035
Additional provisions	2,639	2,168	4,891	29,100	38,798
Utilized amounts	(13,492)	(10,553)	(2,278)	(69,724)	(96,047)
Reversals of unused amounts	(10,480)	(6,160)	(1,593)	—	(18,233)
Discount rate adjustment and imputed interest	184	—	433	—	617
Foreign currency translation adjustment	(2,088)	(614)	(3,500)	(590)	(6,792)
As at September 30, 2016	16,246	9,000	36,706	13,426	75,378
Current portion	6,362	9,000	8,582	10,980	34,924
Non-current portion	9,884	—	28,124	2,446	40,454

[1] As at September 30, 2017, the timing of cash outflows relating to these provisions ranges between one and nine years (one and seven years as at September 30, 2016) and they were discounted at a weighted average rate of 0.71% (0.77% as at September 30, 2016). The reversals of unused amounts are mostly due to favourable settlements.

[2] As at September 30, 2017, litigation and claims include provisions related to tax exposure (other than those related to income tax), contractual disputes, employee claims and other of $1,163,000, $5,254,000 and $155,000, respectively (as at September 30, 2016, nil, $5,289,000 and $3,711,000, respectively). The reversals of unused amounts are mostly due to favourable settlements of tax exposures and employee claims and other.

[3] As at September 30, 2017, the decommissioning liabilities were based on the expected cash flows of $33,034,000 ($37,472,000 as at September 30, 2016) and were discounted at a weighted average rate of 0.90% (0.98% as at September 30, 2016). The timing of the settlements of these obligations ranges between one and ten years as at September 30, 2017 (one and eleven years as at September 30, 2016). The reversals of unused amounts are mostly due to favourable settlements.

[4] See Note 24, Restructuring costs and Note 26, Investments in subsidiaries

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

13. Long-term debt

	As at September 30, 2017	As at September 30, 2016
	$	$
Senior U.S. unsecured notes repayable in December by tranches of $175,126 (U.S. $140,000) in 2018 and $312,725 (U.S.$250,000) in 2021[1]	**485,401**	630,881
Senior unsecured notes repayable in September by tranches of $50,036 (U.S.$ 40,000) in 2019, $68,800 (U.S.$55,000) in 2021, $375,270 (U.S.$ 300,000) in 2024, $437,815 (U.S.$350,000) in 7 yearly payments of U.S.$50,000 from 2018 to 2024 and $125,647 (€85,000) in 2021[2]	**1,057,027**	1,102,155
Unsecured committed revolving credit facility[3]	**200,000**	—
Obligations repayable in blended monthly installments maturing at various dates until 2021, bearing a weighted average interest rate of 2.49% (2.57% in 2016)	**61,703**	111,205
Obligations under finance leases repayable in blended monthly installments maturing at various dates until 2022, bearing a weighted average interest rate of 2.89% (3.40% in 2016)	**29,794**	42,172
Other long-term debt	**28,078**	24,562
	1,862,003	1,910,975
Current portion	**122,467**	192,036
	1,739,536	1,718,939

[1] As at September 30, 2017, an amount of $487,851,000 was drawn, less fair value adjustments relating to interest rate swaps designated as fair value hedges of $2,208,000 and financing fees of $242,000. In December 2016, the Company repaid the matured tranche of the Senior U.S. unsecured notes for a total amount of $113,584,000. Following that repayment, the private placement financing with U.S. institutional investors is comprised of two tranches of Senior U.S. unsecured notes with a weighted average maturity of 3.1 years and a weighted average interest rate of 4.76% (4.57% in 2016). The Senior U.S. unsecured notes contain covenants that require the Company to maintain certain financial ratios (Note 32). As at September 30, 2017, the Company was in compliance with these covenants.

[2] As at September 30, 2017, an amount of $1,057,568,000 was drawn, less financing fees of $541,000. 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 4.9 years and a weighted average interest rate of 3.62% (3.62% in 2016). The Senior unsecured notes contain covenants that require the Company to maintain certain financial ratios (Note 32). As at September 30, 2017, the Company was in compliance with these covenants.

[3] The Company has an unsecured committed revolving credit facility available for an amount of $1,500,000,000 that expires in December 2021. This facility bears interest at Bankers' acceptance, LIBOR or Canadian prime, plus a variable margin that is determined based on the Company's leverage ratio. As at September 30, 2017, an amount of $200,000,000 was drawn upon this facility at Canadian prime with no margin at a weighted average interest rate of 3.20%. Also, an amount of $9,631,000 has been committed against this facility to cover various letters of credit issued for clients and other parties. On November 7, 2017, the facility was extended by one year to December 2022 and can be further extended. There were no material changes in the terms and conditions including interest rates and banking covenants. The unsecured committed revolving credit facility contains covenants that require the Company to maintain certain financial ratios (Note 32). As at September 30, 2017, the Company was in compliance with these covenants.

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

	$
Less than one year	109,006
Between one and two years	308,678
Between two and five years	914,472
Beyond five years	503,044
Total principal repayments on long-term debt	1,835,200

Minimum finance lease payments are as follows:

	Principal	Interest	Payment
	$	$	$
Less than one year	13,408	678	14,086
Between one and two years	7,965	376	8,341
Between two and five years	8,421	261	8,682
Total minimum finance lease payments	29,794	1,315	31,109

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

14. Other long-term liabilities

	As at September 30, 2017	As at September 30, 2016
	$	$
Deferred revenue	**112,244**	151,292
Deferred compensation plan liabilities (Note 16)	**48,379**	43,844
Deferred rent	**39,554**	43,118
Other	**13,259**	6,053
	213,436	244,307

15. Income taxes

	Year ended September 30	
	2017	2016
	$	$
Current income tax expense		
Current income tax expense in respect of the current year	**337,331**	294,992
Adjustments recognized in the current year in relation to the income tax expense of prior years	**(15,526)**	(7,413)
Total current income tax expense	**321,805**	287,579
Deferred income tax expense		
Deferred income tax expense relating to the origination and reversal of temporary differences	**70,641**	106,939
Deferred income tax expense relating to changes in tax rates	**2,575**	7,776
Adjustments recognized in the current year in relation to the deferred income tax expense of prior years	**2,115**	928
Recognition of previously unrecognized temporary differences	**(14,434)**	(19,153)
Total deferred income tax expense	**60,897**	96,490
Total income tax expense	**382,702**	384,069

The Company's effective income tax rate differs from the combined Federal and Provincial Canadian statutory tax rate as follows:

	Year ended September 30	
	2017	2016
	%	%
Company's statutory tax rate	**26.8**	26.9
Effect of foreign tax rate differences	**1.3**	0.9
Final determination from agreements with tax authorities and expirations of statutes of limitations	**(0.9)**	(0.4)
Non-deductible and tax exempt items	**(0.3)**	(1.0)
Recognition of previously unrecognized temporary differences	**(1.0)**	(1.3)
Minimum income tax charge	**0.9**	0.8
Impact on deferred tax assets and liabilities resulting from tax rate changes	**0.2**	0.5
Effective income tax rate	**27.0**	26.4

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

15. Income taxes (continued)

The continuity of deferred tax balances is as follows:

	As at September 30, 2016	**Additions from business acquisitions**	**Recognized in earnings**	**Recognized in other comprehensive income**	**Recognized in equity**	**Foreign currency translation adjustment and other**	**As at September 30, 2017**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Accounts payable, accrued liabilities and other long-term liabilities	81,092	—	4,339	—	—	(2,734)	**82,697**
Tax benefits on losses carried forward	134,725	990	(54,545)	—	—	(2,277)	**78,893**
Accrued compensation	41,780	—	5,274	—	(4,876)	(1,348)	**40,830**
Retirement benefits obligations	41,265	—	(2,876)	(3,822)	—	(405)	**34,162**
Allowance for doubtful accounts	598	—	(275)	—	—	—	**323**
PP&E, contract costs, intangible assets and other long-term assets	(136,663)	(4,116)	4,217	—	—	2,479	**(134,083)**
Work in progress	(79,550)	—	(4,836)	—	—	3,488	**(80,898)**
Goodwill	(56,050)	—	(7,117)	—	—	2,499	**(60,668)**
Refundable tax credits on salaries	(22,216)	—	(7,569)	—	—	—	**(29,785)**
Cash flow hedges	(9,035)	—	140	6,277	—	263	**(2,355)**
Other	373	—	2,351	1,629	—	(382)	**3,971**
Deferred taxes, net	**(3,681)**	**(3,126)**	**(60,897)**	**4,084**	**(4,876)**	**1,583**	**(66,913)**

	As at September 30, 2015	Additions from business acquisitions	Recognized in earnings	Recognized in other comprehensive income	Recognized in equity	Foreign currency translation adjustment and other	As at September 30, 2016
	$	$	$	$	$	$	$
Accounts payable, accrued liabilities and other long-term liabilities	73,483	—	10,259	—	—	(2,650)	81,092
Tax benefits on losses carried forward	224,397	—	(76,391)	—	—	(13,281)	134,725
Accrued compensation	57,439	93	(23,819)	—	8,468	(401)	41,780
Retirement benefits obligations	32,491	—	3,041	6,565	—	(832)	41,265
Allowance for doubtful accounts	4,400	—	(3,698)	—	—	(104)	598
PP&E, contract costs, intangible assets and other long-term assets	(145,720)	(2,576)	13,632	—	—	(1,999)	(136,663)
Work in progress	(68,167)	—	(12,921)	—	—	1,538	(79,550)
Goodwill	(54,807)	—	(2,309)	—	—	1,066	(56,050)
Refundable tax credits on salaries	(21,131)	—	(1,085)	—	—	—	(22,216)
Cash flow hedges	(14,061)	—	265	3,959	—	802	(9,035)
Other	2,120	154	(3,464)	1,196	—	367	373
Deferred taxes, net	90,444	(2,329)	(96,490)	11,720	8,468	(15,494)	(3,681)

The deferred tax balances are presented as follows in the consolidated balance sheets:

	As at September 30, 2017	As at September 30, 2016
	$	$
Deferred tax assets	**146,602**	179,898
Deferred tax liabilities	**(213,515)**	(183,579)
	(66,913)	(3,681)

15. Income taxes (continued)

As at September 30, 2017, the Company had $454,027,000 ($744,092,000 as at September 30, 2016) in operating tax losses carried forward, of which $41,205,000 ($105,505,000 as at September 30, 2016) expire at various dates up to 2037 and $412,822,000 ($638,587,000 as at September 30, 2016) have no expiry dates. The Company recognized a deferred tax asset of $95,491,000 ($170,075,000 as at September 30, 2016) on the losses carried forward and recognized a valuation allowance of $21,218,000 ($39,430,000 as at September 30, 2016). The resulting net deferred tax asset of $74,273,000 ($130,645,000 as at September 30, 2016) is the amount that is more likely than not to be realized, based on deferred tax liabilities reversal and future taxable profits. The unrecognized losses amounted to $89,954,000 ($143,700,000 as at September 30, 2016).

As at September 30, 2017, the Company had $658,734,000 ($662,334,000 as at September 30, 2016) in non-operating tax losses carried forward that have no expiry dates. The Company recognized a deferred tax asset of $110,862,000 ($113,125,000 as at September 30, 2016) on the losses carried forward and recognized a valuation allowance of $106,242,000 ($109,045,000 as at September 30, 2016). The resulting net deferred tax asset of $4,620,000 ($4,080,000 as at September 30, 2016) is the amount that is more likely than not to be realized, based on deferred tax liabilities reversal and future taxable profits. The unrecognized losses amounted to $640,246,000 ($638,300,000 as at September 30, 2016).

As at September 30, 2017, the Company had $126,389,000 ($557,800,000 as at September 30, 2016) of cash and cash equivalents held by foreign subsidiaries. The tax implications of the repatriation of cash and cash equivalent not considered indefinitely reinvested have been accounted for and will not materially affect the Company's liquidity. In addition, the Company has not recorded deferred tax liabilities on undistributed earnings of $2,779,924,000 ($2,339,815,000 as at September 30, 2016) coming from its foreign subsidiaries as they are considered indefinitely reinvested. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to taxes.

16. 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 and 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 assets held in separate funds. France plan is unfunded.

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

16. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

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 is closed to further accrual of rights for existing members. 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 Supply 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.

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 35% to return-seeking assets such as equities and 65% towards a mixture of assets such as bonds and liability-driven investments such as investment funds; Logica U.K. Pension & Life Assurance Scheme policy is to invest 20% of the scheme assets in equities and 80% in bonds; and Logica Defined Benefit Pension Plan policy is to invest 30% of the plan assets in equities and 70% in bonds.

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 three defined benefit pension plans described above were undertaken as at September 30, 2015, of which the following reported a deficit:

- The actuarial valuation of the CMG U.K. Pension Scheme reported a deficit of $111,390,000. A new recovery plan was proposed starting January 1, 2017 and reflecting quarterly payments of $3,731,000 to cover the deficit and $293,000 to cover administration expenses; and
- The actuarial valuation of the Logica Defined Benefit Pension Plan reported a deficit of $7,882,000. A new recovery plan was proposed starting January 1, 2017 and reflecting monthly payments of $154,000 to cover the deficit and $10,000 to cover administration expenses.

Germany

In Germany, the Company has 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. About one third of the plans are bound by the former Works Council 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. These do not qualify as plan assets and are presented as reimbursement rights.

France

In France, the retirement indemnities are provided in accordance with the Labour 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.

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

16. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

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

As at September 30, 2017	**U.K.**	**Germany**	**France**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
Defined benefit obligations	**(792,216)**	**(87,995)**	**(52,546)**	**(58,933)**	**(991,690)**
Fair value of plan assets	**763,859**	**12,088**	**—**	**25,074**	**801,021**
	(28,357)	**(75,907)**	**(52,546)**	**(33,859)**	**(190,669)**
Fair value of reimbursement rights	**—**	**22,863**	**—**	**1,082**	**23,945**
Net liability recognized in the balance sheet	**(28,357)**	**(53,044)**	**(52,546)**	**(32,777)**	**(166,724)**
Presented as:					
Other long-term assets (Note 9)					
Insurance contracts held to fund defined benefit pension and life assurance arrangements - reimbursement rights	**—**	**22,863**	**—**	**1,082**	**23,945**
Retirement benefits assets	**11,316**	**—**	**—**	**307**	**11,623**
Retirement benefits obligations	**(39,673)**	**(75,907)**	**(52,546)**	**(34,166)**	**(202,292)**
	(28,357)	**(53,044)**	**(52,546)**	**(32,777)**	**(166,724)**

As at September 30, 2016	U.K.	Germany	France	Other	Total
	$	$	$	$	$
Defined benefit obligations	(814,156)	(97,392)	(58,565)	(60,041)	(1,030,154)
Fair value of plan assets	792,665	12,403	—	17,575	822,643
	(21,491)	(84,989)	(58,565)	(42,466)	(207,511)
Fair value of reimbursement rights	—	23,269	—	1,166	24,435
Net liability recognized in the balance sheet	(21,491)	(61,720)	(58,565)	(41,300)	(183,076)
Presented as:					
Other long-term assets (Note 9)					
Insurance contracts held to fund defined benefit pension and life assurance arrangements - reimbursement rights	—	23,269	—	1,166	24,435
Retirement benefits assets	8,797	—	—	—	8,797
Retirement benefits obligations	(30,288)	(84,989)	(58,565)	(42,466)	(216,308)
	(21,491)	(61,720)	(58,565)	(41,300)	(183,076)

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

16. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

Defined benefit obligations	**U.K.**	**Germany**	**France**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
As at September 30, 2016	814,156	97,392	58,565	60,041	1,030,154
Obligations extinguished on settlements	—	—	—	(1,029)	(1,029)
Current service cost	1,552	878	4,906	4,735	12,071
Interest cost	18,147	982	599	2,778	22,506
Actuarial gains due to change in financial assumptions[1]	(22,195)	(9,055)	(8,625)	(1,884)	(41,759)
Actuarial gains due to change in demographic assumptions[1]	(12,043)	—	(2,395)	(626)	(15,064)
Actuarial losses (gains) due to experience[1]	25,041	422	(209)	339	25,593
Plan participant contributions	113	—	—	—	113
Benefits paid from the plan	(18,065)	(1,033)	—	(3,377)	(22,475)
Benefits paid directly by employer	—	(1,634)	(305)	(708)	(2,647)
Foreign currency translation adjustment[1]	(14,490)	43	10	(1,336)	(15,773)
As at September 30, 2017	**792,216**	**87,995**	**52,546**	**58,933**	**991,690**
Defined benefit obligations of unfunded plans	—	—	52,546	33,353	85,899
Defined benefit obligations of funded plans	792,216	87,995	—	25,580	905,791
As at September 30, 2017	**792,216**	**87,995**	**52,546**	**58,933**	**991,690**

Defined benefit obligations	U.K.	Germany	France	Other	Total
	$	$	$	$	$
As at September 30, 2015	753,583	82,380	49,603	48,727	934,293
Liabilities assumed in business acquisitions	—	—	381	—	381
Current service cost	1,133	808	4,314	5,720	11,975
Interest cost	26,177	1,911	1,172	2,529	31,789
Actuarial losses due to change in financial assumptions[1]	199,229	15,576	8,178	4,849	227,832
Actuarial (gains) losses due to change in demographic assumptions[1]	(8,853)	—	(3,870)	121	(12,602)
Actuarial losses due to experience[1]	64	257	43	209	573
Past service cost	—	—	—	3,552	3,552
Plan participant contributions	181	—	—	22	203
Benefits paid from the plan	(21,781)	(225)	—	(2,085)	(24,091)
Benefits paid directly by employer	—	(1,926)	(577)	(1,882)	(4,385)
Foreign currency translation adjustment[1]	(135,577)	(1,389)	(679)	(1,721)	(139,366)
As at September 30, 2016	814,156	97,392	58,565	60,041	1,030,154
Defined benefit obligations of unfunded plans	—	—	58,565	34,436	93,001
Defined benefit obligations of funded plans	814,156	97,392	—	25,605	937,153
As at September 30, 2016	814,156	97,392	58,565	60,041	1,030,154

[1] Amounts recognized in other comprehensive income.

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

16. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

Plan assets and reimbursement rights	U.K.	Germany	France	Other	Total
	$	$	$	$	$
As at September 30, 2016	792,665	35,672	—	18,741	847,078
Assets distributed on settlements	—	—	—	(449)	(449)
Interest income on plan assets	17,628	364	—	1,157	19,149
Employer contributions	17,651	1,411	305	11,482	30,849
Return on assets excluding interest income[1]	(29,635)	380	—	532	(28,723)
Plan participants contributions	113	—	—	—	113
Benefits paid from the plan	(18,065)	(1,033)	—	(3,377)	(22,475)
Benefits paid directly by employer	—	(1,634)	(305)	(708)	(2,647)
Administration expenses paid from the plan	(2,108)	—	—	(113)	(2,221)
Foreign currency translation adjustment[1]	(14,390)	(209)	—	(1,109)	(15,708)
As at September 30, 2017	**763,859**	**34,951**	**—**	**26,156**	**824,966**
Plan assets	763,859	12,088	—	25,074	801,021
Reimbursement rights	—	22,863	—	1,082	23,945
As at September 30, 2017	**763,859**	**34,951**	**—**	**26,156**	**824,966**

Plan assets and reimbursement rights	U.K.	Germany	France	Other	Total
	$	$	$	$	$
As at September 30, 2015	726,224	35,120	—	16,207	777,551
Interest income on plan assets	25,494	813	—	1,087	27,394
Employer contributions	17,896	2,024	577	5,302	25,799
Return on assets excluding interest income[1]	178,033	437	—	597	179,067
Plan participants contributions	181	—	—	22	203
Benefits paid from the plan	(21,781)	(225)	—	(2,085)	(24,091)
Benefits paid directly by employer	—	(1,926)	(577)	(1,882)	(4,385)
Administration expenses paid from the plan	(1,839)	—	—	(3)	(1,842)
Foreign currency translation adjustment[1]	(131,543)	(571)	—	(504)	(132,618)
As at September 30, 2016	792,665	35,672	—	18,741	847,078
Plan assets	792,665	12,403	—	17,575	822,643
Reimbursement rights	—	23,269	—	1,166	24,435
As at September 30, 2016	792,665	35,672	—	18,741	847,078

[1] Amounts recognized in other comprehensive income.

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

16. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

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

As at September 30, 2017	U.K.	Germany	France	Other	Total
	$	$	$	$	$
Quoted equities	233,871	—	—	—	233,871
Quoted bonds	183,729	—	—	123	183,852
Property	32,353	—	—	—	32,353
Cash	75,044	—	—	51	75,095
Other[1]	238,862	12,088	—	24,900	275,850
	763,859	12,088	—	25,074	801,021

As at September 30, 2016	U.K.	Germany	France	Other	Total
	$	$	$	$	$
Quoted equities	200,163	—	—	—	200,163
Quoted bonds	188,674	—	—	162	188,836
Property	30,004	—	—	—	30,004
Cash	62,708	—	—	55	62,763
Other[1]	311,116	12,403	—	17,358	340,877
	792,665	12,403	—	17,575	822,643

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

Plan assets do not include any 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	
	2017	2016
	$	$
Current service cost	12,071	11,975
Settlement gain	(580)	—
Past service cost	—	3,552
Net interest on net defined benefit obligations or assets	3,357	4,395
Administration expenses	2,221	1,842
	17,069	21,764

[1] The expense was presented as costs of services, selling and administrative for an amount of $11,491,000 and as net finance costs for an amount of $5,578,000 (Note 25) ($15,527,000 and $6,237,000, respectively for the year ended September 30, 2016).

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

16. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

Actuarial assumptions

The following are the principal actuarial assumptions (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, 2017	**U.K.**	**Germany**	**France**	**Other**
	%	**%**	**%**	**%**
Discount rate	**2.69**	**1.75**	**1.75**	**4.50**
Future salary increases	**3.48**	**2.50**	**2.86**	**1.96**
Future pension increases	**3.38**	**1.50**	**—**	**—**
Inflation rate	**3.48**	**2.00**	**2.00**	**2.85**

As at September 30, 2016	U.K.	Germany	France	Other
	%	%	%	%
Discount rate	2.31	1.04	1.04	3.86
Future salary increases	3.15	2.50	2.17	2.07
Future pension increases	3.11	1.50	—	—
Inflation rate	3.15	2.00	2.00	3.10

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

As at September 30, 2017	**U.K.**	**Germany**
	(in years)	
Longevity at age 65 for current members		
Males	**22.1**	**20.0**
Females	**23.9**	**24.0**
Longevity at age 45 for current members		
Males	**23.5**	**22.0**
Females	**25.4**	**26.0**

As at September 30, 2016	U.K.	Germany
	(in years)	
Longevity at age 65 for current members		
Males	22.2	20.0
Females	24.2	24.0
Longevity at age 45 for current members		
Males	23.9	22.0
Females	26.1	26.0

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

16. 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 country. Mortality assumptions for the most significant countries are based on the following post-retirement mortality tables for the year ended September 30, 2017: (1) U.K.: 100% S2PxA (year of birth) plus CMI_2016 projections with 1.25% p.a. minimum long term improvement rate, (2) Germany: Heubeck RT2005G and (3) France: INSEE TVTD 2010-2012.

The following tables show the sensitivity of the defined benefit obligations to changes in the principal actuarial assumptions:

As at September 30, 2017	**U.K.**	**Germany**	**France**
	$	**$**	**$**
Increase of 0.25% in the discount rate	**(34,430)**	**(2,922)**	**(2,065)**
Decrease of 0.25% in the discount rate	**36,668**	**3,081**	**2,174**
Salary increase of 0.25%	**582**	**56**	**2,208**
Salary decrease of 0.25%	**(575)**	**(55)**	**(2,105)**
Pension increase of 0.25%	**17,169**	**1,338**	**—**
Pension decrease of 0.25%	**(16,347)**	**(1,282)**	**—**
Increase of 0.25% in inflation rate	**27,484**	**1,338**	**2,208**
Decrease of 0.25% in inflation rate	**(26,022)**	**(1,282)**	**(2,105)**
Increase of one year in life expectancy	**22,051**	**2,442**	**378**
Decrease of one year in life expectancy	**(21,965)**	**(2,186)**	**(407)**

As at September 30, 2016	U.K.	Germany	France
	$	$	$
Increase of 0.25% in the discount rate	(36,935)	(3,556)	(2,476)
Decrease of 0.25% in the discount rate	39,406	3,762	2,612
Salary increase of 0.25%	724	80	2,588
Salary decrease of 0.25%	(714)	(78)	(2,466)
Pension increase of 0.25%	17,860	1,802	—
Pension decrease of 0.25%	(16,963)	(1,721)	—
Increase of 0.25% in inflation rate	28,843	1,802	2,588
Decrease of 0.25% in inflation rate	(27,303)	(1,721)	(2,466)
Increase of one year in life expectancy	24,093	2,918	444
Decrease of one year in life expectancy	(23,900)	(2,601)	(485)

The sensitivity analysis above have been based on a method that extrapolates the impact on the defined benefit obligations 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	
	2017	2016
	(in years)	
U.K.	**19**	20
Germany	**14**	15
France	**16**	18
Other	**11**	13

16. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

The Company expects to contribute $23,798,000 to defined benefit plans during the next year, of which $19,753,000 relates to the U.K. plans, and $4,045,000 relates to the other plans. The contributions will include new benefit accruals and deficit recovery payments.

DEFINED CONTRIBUTION PLANS

The Company also operates defined contribution pension plans. In some countries, contributions are made into state pension plans. The pension cost for defined contribution plans amounted to $234,122,000 in 2017 ($236,678,000 in 2016).

In addition, in Sweden, the Company contributes to a multi-employer plan, Alecta SE (Alecta) 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 0.81% and the Company's proportion of the total number of active members in the plan is 0.55%.

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 policy holders and insured individuals. The collective solvency is normally allowed to vary between 125% and 155%, with the target being 140%. As at September 30, 2017, Alecta collective funding ratio was 158% (142% in 2016). The plan expense was $34,208,000 in 2017 ($34,528,000 in 2016). The Company expects to contribute $27,590,000 to the plan during the next year.

OTHER BENEFIT PLANS

The Company maintains deferred compensation plans covering some of its U.S. and Germany management. Some of the plans include assets that will be used to fund the liabilities. As at September 30, 2017, the deferred compensation liability totaled $48,379,000 ($43,844,000 as at September 30, 2016) (Note 14) and the deferred compensation assets totaled $46,906,000 ($42,139,000 as at September 30, 2016) (Note 10).

For the deferred compensation plan in U.S., 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 liabilities associated with the plan is equal to the change of the assets. The assets in the trust and the associated liabilities totaled $46,480,000 as at September 30, 2017 ($41,423,000 as at September 30, 2016).

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

17. Accumulated other comprehensive income

	As at September 30, 2017	As at September 30, 2016
	$	$
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 $65,850 as at September 30, 2017 ($69,777 as at September 30, 2016)	**695,591**	837,056
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 $69,296 as at September 30, 2017 ($72,490 as at September 30, 2016)	**(453,690)**	(466,799)
Net unrealized gains on cash flow hedges, net of accumulated income tax expense of $2,332 as at September 30, 2017 ($8,876 as at September 30, 2016)	**1,670**	13,931
Net unrealized (losses) gains on available-for-sale investments, net of accumulated income tax recovery of $178 as at September 30, 2017 (net of accumulated income tax expense of $965 as at September 30, 2016)	**(562)**	2,947
Items that will not be reclassified subsequently to net earnings:		
Net remeasurement losses on defined benefit plans, net of accumulated income tax recovery of $20,933 as at September 30, 2017 ($25,160 as at September 30, 2016)	**(83,618)**	(83,007)
	159,391	304,128

For the year ended September 30, 2017, $15,425,000 of the net unrealized gains previously recognized in other comprehensive income, net of income tax expense of $9,534,000, were reclassified to net earnings for derivative financial instruments designated as cash flow hedges ($11,834,000 of the net unrealized gains net of income tax expense of $6,725,000 for the year ended September 30, 2016).

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

18. 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 the fiscal years 2017 and 2016, 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, 2015	275,773,284	2,207,826	33,272,767	46,419	309,046,051	2,254,245
Issued upon exercise of stock options[1]	5,283,485	111,405	—	—	5,283,485	111,405
PSUs exercised[2]	—	21,250	—	—	—	21,250
Purchased and cancelled[3]	(9,519,875)	(170,374)	—	—	(9,519,875)	(170,374)
Purchased and held in trust[4]	—	(21,795)	—	—	—	(21,795)
Conversion of shares[5]	420,019	586	(420,019)	(586)	—	—
As at September 30, 2016	271,956,913	2,148,898	32,852,748	45,833	304,809,661	2,194,731
Issued upon exercise of stock options[1]	2,079,150	60,943	—	—	2,079,150	60,943
PSUs exercised[2]	—	23,666	—	—	—	23,666
Purchased and cancelled[3]	(19,929,268)	(227,060)	—	—	(19,929,268)	(227,060)
Shares held in trust resold[4]	—	2,445	—	—	—	2,445
As at September 30, 2017	**254,106,795**	**2,008,892**	**32,852,748**	**45,833**	**286,959,543**	**2,054,725**

[1] The carrying value of Class A subordinate shares includes $11,169,000 ($21,972,000 during the year ended September 30, 2016), 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] During the year ended September 30, 2017, 659,640 PSUs were exercised (969,241 during the year ended September 30, 2016) with a recorded value of $23,666,000 ($21,250,000 during the year ended September 30, 2016) that was removed from contributed surplus. As at September 30, 2017, 468,668 Class A subordinate shares were held in trust under the PSU plan (1,192,308 as at September 30, 2016) (Note 19b).

[3] On February 1, 2017, the Company's Board of Directors authorized the renewal of a Normal Course Issuer Bid (NCIB) for the purchase of up to 21,190,564 Class A subordinate shares for cancellation on the open market through the TSX. The Class A subordinate shares are available for purchase commencing February 6, 2017, until no later than February 5, 2018, or on such earlier date when the Company completes its purchases or elects to terminate the bid.

During the year ended September 30, 2017, the Company purchased 15,074,900 Class A subordinate shares for cancellation (2,207,500 during the year ended September 30, 2016) under the previous and current NCIB for a cash consideration of $946,664,000 ($117,820,000 during the year ended September 30, 2016) and the excess of the purchase price over the carrying value in the amount of $823,450,000 ($99,553,000 during the year ended September 30, 2016) was charged to retained earnings. During the year ended September 30, 2016, the Company paid and cancelled 200,000 Class A subordinate shares with a carrying value of $1,631,000 and a purchase value of $9,466,000 that were held from previous period.

In addition, during the year ended September 30, 2017, the Company purchased 4,854,368 Class A subordinate shares for cancellation (7,112,375 during the year ended September 30, 2016) from the Caisse de dépôt et placement du Québec for a cash consideration of $300,000,000 ($400,000,000 during the year ended September 30, 2016). The excess of the purchase price over the carrying value in the amount of $196,154,000 ($247,893,000 during the year ended September 30, 2016) was charged to retained earnings. In accordance with the requirements of the TSX, the purchase is considered in the annual aggregate limit that the Company is entitled to purchase under its current NCIB.

[4] During the year ended September 30, 2017, the trustee resold 64,000 Class A subordinate shares that were held in trust on the open market in accordance with the terms of the PSU plan (nil during the year ended September 30, 2016). The excess of proceeds over the carrying value of the Class A subordinate shares, in the amount of $1,601,000, resulted in an increase of contributed surplus. During the year ended September 30, 2016, the trustee, in accordance with the terms of the PSU plan and a Trust Agreement, purchased 441,722 Class A subordinate shares of the Company on the open market for a cash consideration of $21,795,000.

[5] During the year ended September 30, 2016, a shareholder converted 420,019 Class B shares into 420,019 Class A subordinate shares.

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

19. 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 and directors 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, 2017, 30,561,122 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:

	2017		2016	
	Number of options	**Weighted average exercise price per share**	Number of options	Weighted average exercise price per share
		$		$
Outstanding, beginning of year	**16,623,619**	**39.40**	20,629,392	29.23
Granted	**2,961,866**	**63.22**	3,882,977	62.53
Exercised	**(2,079,150)**	**23.94**	(5,283,485)	16.93
Forfeited	**(2,267,952)**	**49.12**	(2,558,272)	39.39
Expired	**(500)**	**7.72**	(46,993)	14.22
Outstanding, end of year	**15,237,883**	**44.70**	16,623,619	39.40
Exercisable, end of year	**7,527,054**	**28.77**	7,798,604	24.10

The weighted average share price at the date of exercise for stock options exercised in 2017 was $64.49 ($58.65 in 2016).

The following table summarizes information about outstanding stock options granted by the Company as at September 30, 2017:

	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**
$			**$**		**$**
9.31 to 9.41	**235,229**	**1.00**	**9.31**	**235,229**	**9.31**
11.39 to 13.26	**524,425**	**2.00**	**12.59**	**524,425**	**12.59**
14.48 to 15.96	**1,136,174**	**3.00**	**15.48**	**1,136,174**	**15.48**
19.28 to 21.31	**283,523**	**4.00**	**19.75**	**283,523**	**19.75**
23.65 to 30.79	**1,965,317**	**5.21**	**23.89**	**1,965,317**	**23.89**
34.68 to 38.79	**1,886,662**	**6.35**	**37.22**	**1,752,804**	**37.17**
39.47 to 47.36	**1,042,738**	**7.13**	**39.67**	**757,139**	**39.70**
47.81 to 56.69	**1,725,490**	**7.99**	**48.46**	**866,563**	**48.50**
57.21 to 63.72	**6,438,325**	**9.43**	**63.21**	**5,880**	**57.21**
	15,237,883	**7.22**	**44.70**	**7,527,054**	**28.77**

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

19. 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	
	2017	2016
Grant date fair value ($)	**13.03**	13.11
Dividend yield (%)	**0.00**	0.00
Expected volatility (%)[1]	**22.52**	25.41
Risk-free interest rate (%)	**1.66**	0.56
Expected life (years)	**4.00**	4.00
Exercise price ($)	**63.22**	62.53
Share price ($)	**63.22**	62.53

[1] Expected volatility was determined using statistical formulas and based on the weekly historical average of closing daily share prices over the period of the expected life of stock option.

b) Performance share units

Under the PSU plan, the Board of Directors may grant PSUs to senior executives and other key employees (participants) which entitle them to receive one Class A subordinate share for each PSU. The vesting performance conditions are determined by the Board of Directors at the time of each grant. PSUs expire on 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 18).

The following table presents information concerning the number of outstanding PSUs granted by the Company:

Outstanding as at September 30, 2015	1,719,827
Granted[1]	570,000
Exercised	(969,241)
Forfeited	(128,278)
Outstanding as at September 30, 2016	1,192,308
Granted[1]	221,000
Exercised	(659,640)
Forfeited	(285,000)
Outstanding as at September 30, 2017	**468,668**

[1] The PSUs granted in 2017 had a grant date fair value of $62.49 per unit ($48.35 in 2016).

On September 26, 2017, the Company adopted a new PSU plan with similar terms and conditions to the existing PSU plan. There was no grant under the new plan during the year ended September 30, 2017.

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

19. Share-based payments (continued)

c) Share purchase plan

Under the share purchase plan, the Company contributes an amount equal to a percentage of the employee's basic contribution, up to a maximum of 3.50%. 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's 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

External members of the Board of Directors (participants) are entitled to receive part or their entire retainer fee in DSUs. 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. As at September 30, 2017, the number of outstanding DSUs was 136,246 (107,856 DSUs as at September 30, 2016).

e) Share-based payment costs

The share-based payment expense recorded in costs of services, selling and administrative is as follows:

	Year ended September 30	
	2017	2016
	$	$
Stock options	**25,133**	17,720
PSUs	**9,310**	20,579
Share purchase plan	**97,729**	87,683
DSUs	**2,075**	2,916
	134,247	128,898

20. Earnings per share

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

	2017			2016		
	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	**1,035,195**	**297,516,970**	**3.48**	1,068,716	304,808,130	3.51
Net effect of dilutive stock options and PSUs[2]		**5,776,515**			7,965,026	
	1,035,195	**303,293,485**	**3.41**	1,068,716	312,773,156	3.42

[1] During the year ended September 30, 2017, 19,929,268 Class A subordinate shares purchased and 468,668 Class A subordinate shares held in trust were excluded from the calculation of weighted average number of shares outstanding as of the date of transaction (9,519,875 and 1,192,308, respectively during the year ended September 30, 2016).

[2] The calculation of the diluted earnings per share excluded 6,419,566 stock options for the year ended September 30, 2017 (3,842,800 for the year ended September 30, 2016), as they were anti-dilutive.

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

21. 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 period. The Company primarily uses 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 performance of services or delivery of products 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, 2017	As at September 30, 2016
	$	$
Recognized as:		
Revenue in the respective year	**1,527,904**	1,443,169
Recognized as:		
Amounts due from customers under construction contracts[1]	**278,792**	414,427
Amounts due to customers under construction contracts	**(56,068)**	(105,187)

[1] As at September 30, 2017, retentions held by customers for contract work in progress amounted to $11,971,000 ($72,277,000 as at September 30, 2016).

22. Costs of services, selling and administrative

	Year ended September 30	
	2017	2016
	$	$
Salaries and other member costs[1]	**6,412,607**	6,254,917
Professional fees and other contracted labour	**1,273,944**	1,243,143
Hardware, software and data center related costs	**814,274**	795,347
Property costs	**349,881**	399,682
Amortization and depreciation (Note 23)	**366,377**	394,054
Other operating expenses	**40,576**	33,786
	9,257,659	9,120,929

[1] Net of R&D and other tax credits of $182,951,000 in 2017 ($174,199,000 in 2016).

23. Amortization and depreciation

	Year ended September 30	
	2017	2016
	$	$
Depreciation of PP&E[1] (Note 6)	**152,854**	163,105
Amortization of intangible assets (Note 8)	**157,033**	176,895
Amortization of contract costs related to transition costs	**56,490**	54,054
Included in costs of services, selling and administrative (Note 22)	**366,377**	394,054
Amortization of contract costs related to incentives (presented as a reduction of revenue)	**2,336**	3,221
Amortization of deferred financing fees (presented in finance costs)	**1,090**	1,154
Amortization of premiums and discounts on investments related to funds held for clients (presented net as a reduction of revenue)	**1,494**	1,631
Impairment of PP&E (presented in restructuring costs) (Notes 6 and 24)	**5,907**	—
	377,204	400,060

[1] Depreciation of PP&E acquired under finance leases was $11,623,000 in 2017 ($14,471,000 in 2016).

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

24. Restructuring costs

During the year ended September 30, 2017, the Company announced it will incur approximately $165,000,000 of restructuring costs over the next year to compress the timeline of implementing certain elements of its profitable growth strategy and incurred $88,628,000 of costs related to the announced program. This amount includes restructuring costs for termination of employments of $67,426,000 accounted for in restructuring provisions, leases of vacated premises of $14,550,000 accounted for in onerous lease provisions, impairment of PP&E of $5,907,000 (Notes 6 and 23), as well as other restructuring costs of $745,000. The initiative is expected to yield benefits throughout fiscal year 2018.

During the year ended September 30, 2016, the Company completed the previously announced restructuring program for productivity improvement initiatives and incurred $29,100,000 of restructuring costs for termination of employments for a total expense of $65,000,000 over the entire program.

25. Net finance costs

	Year ended September 30	
	2017	2016
	$	$
Interest on long-term debt	**62,022**	70,257
Net interest costs on net defined benefit obligations or assets (Note 16)	**5,578**	6,237
Other finance costs	**5,911**	3,542
Finance costs	**73,511**	80,036
Finance income	**(3,719)**	(1,610)
	69,792	78,426

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

26. Investments in subsidiaries

a) Acquisitions

The Company made the following acquisitions during the year ended September 30, 2017:

- On November 3, 2016, the Company acquired all units of Collaborative Consulting, LLC, a high-end IT consulting company with specialized expertise in financial, life sciences and public sectors, headquartered in Boston, Massachusetts;
- On April 19, 2017, the Company acquired all outstanding shares of Computer Technology Solutions, Inc., a high-end IT consulting company focused on commercial markets, specialized in cloud, analytics and digital transformation, headquartered in Birmingham, Alabama;
- On May 12, 2017, the Company acquired all outstanding shares of eCommerce Systems, Inc., a high-end consulting IT company focused on commercial markets, specialized in cloud, analytics and digital transformation, headquartered in Denver, Colorado; and
- On August 22, 2017, the Company acquired all outstanding shares of Summa Technologies, Inc. (Summa), a high-end IT consulting company with expertise in digital experience and agile software development, headquartered in Pittsburgh, Pennsylvania.

The following table presents the purchase price allocations for all the above acquisitions based on the acquisition-date fair values of the identifiable tangible and intangible assets acquired and liabilities assumed. The purchase price allocation for Summa is preliminary.

	2017
	$
Current assets	40,705
PP&E	5,488
Intangible assets	50,474
Goodwill[1]	238,322
Current liabilities	(29,953)
Deferred tax liabilities	(3,126)
Debt	(9,648)
	292,262
Cash acquired	14,814
Net assets acquired	307,076
Consideration paid	297,875
Consideration payable[2]	9,201

[1] The goodwill arising from the acquisitions mainly represents the future economic value associated to acquired work force and synergies with the Company's operations. All of the goodwill is included in the U.S. operating segment and $191,231,000 is deductible for tax purposes.

[2] Repayable in annually installments through 2021 and bearing interest at a rate of 2.04%.

In addition, on October 6, 2017, the Company acquired 94.79% of the outstanding shares of Affecto Plc (Affecto), a leading provider of business intelligence and enterprise information management solutions and services, headquartered in Helsinki, Finland, for a cash consideration of $137,436,000. On October 10, 2017, the Company submitted an application to initiate statutory squeeze-out proceedings in order to complete the redemption of the shares held by the remaining shareholders of Affecto. At the time of the approval of the Company's consolidated financial statements, the initial accounting for the acquisition of Affecto was incomplete.

These acquisitions will complement the Company's proximity model and further strengthen its global capabilities across several in-demand digital transformation areas.

b) Acquisition-related and integration costs

In connection with these acquisitions, the Company expensed $10,306,000 related to acquisition-related and integration costs during the year ended September 30, 2017. This amount includes acquisition-related costs of $1,661,000 and integration costs of $8,645,000. The acquisition-related costs consist mainly of professional fees incurred for the acquisitions. The integration costs mainly include termination of employments of $5,207,000 accounted for in restructuring provisions, leases of vacated premises of $1,382,000 accounted for in onerous lease provisions, as well as other integration costs of $ 2,056,000.

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

27. Supplementary cash flow information

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

	2017	2016
	$	$
Accounts receivable	(164,452)	(35,829)
Work in progress	(8,056)	(102,354)
Prepaid expenses and other assets	16,403	(18,573)
Long-term financial assets	(13,338)	(4,802)
Accounts payable and accrued liabilities	(92,873)	16,764
Accrued compensation	44,837	(43,528)
Deferred revenue	(12,993)	3,551
Provisions	50,777	(77,192)
Long-term liabilities	8,612	(11,897)
Retirement benefits obligations	(12,395)	(1,150)
Derivative financial instruments	3,229	(2,256)
Income taxes	34,164	9,393
	(146,085)	(267,873)

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

	2017	2016
	$	$
Operating activities		
Accounts receivable	(118)	(15)
Accounts payable and accrued liabilities	34,522	36,139
Provisions	1,571	1,074
	35,975	37,198
Investing activities		
Purchase of PP&E	(16,365)	(15,427)
Additions of intangible assets	(23,236)	(32,608)
	(39,601)	(48,035)
Financing activities		
Increase in obligations under finance leases	3,508	9,238
Increase in obligations other than finance leases	—	1,584
Issuance of shares	118	15
	3,626	10,837

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

	2017	2016
	$	$
Interest paid	78,227	82,369
Interest received	3,680	1,455
Income taxes paid	244,227	246,134

d) Cash and cash equivalents consisted fully of unrestricted cash as at September 30, 2017 and 2016.

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

28. Segmented information

The following tables present information on the Company's operations based on its current management structure managed through seven operating segments. Segment results are based on the location from which the services are delivered - the geographic delivery model (Note 11).

								Year ended September 30, 2017
	U.S.	**Nordics**	**Canada**	**France**	**U.K.**	**ECS**	**Asia Pacific**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Segment revenue	**3,028,355**	**1,577,883**	**1,605,500**	**1,559,869**	**1,286,700**	**1,194,409**	**592,350**	**10,845,066**
Earnings before acquisition-related and integration costs, restructuring costs, net finance costs and income tax expense[1]	**495,774**	**179,989**	**343,856**	**193,075**	**152,185**	**98,981**	**122,763**	**1,586,623**
Acquisition-related and integration costs (Note 26b)								**(10,306)**
Restructuring costs (Note 24)								**(88,628)**
Net finance costs (Note 25)								**(69,792)**
Earnings before income taxes								**1,417,897**

[1] Total amortization and depreciation of $370,207,000 included in the U.S., Nordics, Canada, France, U.K., ECS and Asia Pacific operating segments was $98,163,000, $47,907,000, $62,050,000, $32,377,000, $69,506,000, $37,480,000 and $22,724,000, respectively for the year ended September 30, 2017.

								Year ended September 30, 2016
	U.S.	Nordics	Canada	France	U.K.	ECS	Asia Pacific	Total
	$	$	$	$	$	$	$	$
Segment revenue	2,878,661	1,651,322	1,536,331	1,444,966	1,431,739	1,198,854	541,391	10,683,264
Earnings before restructuring costs, net finance costs and income tax expense[1]	486,295	186,742	345,483	174,685	154,262	114,256	98,588	1,560,311
Restructuring costs (Note 24)								(29,100)
Net finance costs (Note 25)								(78,426)
Earnings before income taxes								1,452,785

[1] Total amortization and depreciation of $398,906,000 included in the U.S., Nordics, Canada, France, U.K., ECS and Asia Pacific operating segments was $94,744,000, $69,385,000, $58,695,000, $34,542,000, $79,342,000, $40,427,000 and $21,771,000, respectively for the year ended September 30, 2016.

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.

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

28. Segmented information (continued)

GEOGRAPHIC INFORMATION

The following table provides external revenue information based on the client's location which is different from the revenue presented under operating segments, due to the intersegment revenue:

	2017	2016
	$	$
U.S.	**3,118,044**	2,969,506
Nordics		
Sweden	**775,093**	829,080
Finland	**654,155**	648,981
Others	**239,658**	248,826
	1,668,906	1,726,887
Canada	**1,746,438**	1,643,680
France		
France	**1,555,721**	1,433,354
Others	**38,445**	38,690
	1,594,166	1,472,044
U.K.	**1,419,419**	1,568,323
ECS		
Germany	**415,104**	397,059
Netherlands	**421,673**	449,031
Others	**332,401**	318,991
	1,169,178	1,165,081
Asia Pacific		
Others	**128,915**	137,743
	128,915	137,743
	10,845,066	10,683,264

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

	As at September 30, 2017	As at September 30, 2016
	$	$
U.S.	**312,909**	290,303
Canada	**311,667**	283,121
U.K.	**183,213**	234,743
France	**66,416**	76,654
Sweden	**66,953**	72,795
Finland	**35,363**	34,745
Germany	**38,310**	46,825
Netherlands	**25,300**	30,487
Rest of the world	**89,964**	90,419
	1,130,095	1,160,092

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

28. Segmented information (continued)

INFORMATION ABOUT SERVICES

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

	2017	2016
	$	$
Outsourcing		
IT services	**4,640,892**	4,680,329
BPS	**1,128,258**	1,099,342
Systems integration and consulting services	**5,075,916**	4,903,593
	10,845,066	10,683,264

MAJOR CLIENT INFORMATION

Contracts with the U.S. federal government and its various agencies, included within the U.S. operating segment, accounted for $1,521,821,000 and 14.00% of revenues for the year ended September 30, 2017 ($1,405,955,000 and 13.20% for the year ended September 30, 2016).

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
CGI Technologies and Solutions Inc.	United States
CGI Federal Inc.	United States
CGI Suomi Oy	Finland
CGI Sverige AB	Sweden
Conseillers en gestion et informatique CGI Inc.	Canada
CGI Information Systems and Management Consultants Inc.	Canada
CGI France SAS	France
CGI IT UK Limited	United Kingdom
CGI Nederland BV	Netherlands
CGI Deutschland Ltd & Co KG	Germany
CGI Information Systems and Management Consultants Private Limited	India

b) Compensation of key management personnel

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

	2017	2016[1]
	$	$
Short-term employee benefits	**8,990**	6,224
Share-based payments	**15,537**	23,803

[1] Includes the Chief Operating Officer

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

30. Commitments, contingencies and guarantees

a) Commitments

As at September 30, 2017, the Company is committed under the terms of operating leases with various expiration dates up to 2028, primarily for the rental of premises and computer equipment used in outsourcing contracts, in the aggregate amount of approximately $656,775,000, excluding costs for services and taxes.

The future minimum lease payments under non-cancellable operating leases are due as follows:

	$
Less than one year	174,835
Between one and two years	127,411
Between two and five years	241,387
Beyond five years	113,142

The majority of the lease agreements are renewable at the end of the lease period at market rates. The lease expenditure charged to earnings during the year was $200,424,000 ($223,289,000 in 2016), net of subleases income of $14,653,000 ($19,220,000 in 2016). As at September 30, 2017, the total future minimum subleases payments expected to be received under non-cancellable subleases were $12,868,000 ($25,801,000 as at September 30, 2016).

The Company entered into long-term service and other agreements representing a total commitment of $238,931,000. Minimum payments under these agreements are due as follows:

	$
Less than one year	109,495
Between one and two years	70,073
Between two and five years	59,363

b) Contingencies

From time to time, the Company is involved in legal proceedings, audits, litigation and claims 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 12).

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 contractual obligations, representations and warranties, intellectual property right infringement and litigation against counterparties, among others. While some of the agreements specify a maximum potential exposure of approximately $10,865,000 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, 2017. 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, 2017, the Company had committed a total of $30,297,000 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 bid or performance 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 $86,813,000 in addition to the letters of credit covered by the unsecured committed revolving credit facility (Note 13). These guarantees are required in some of the Company's contracts with customers.

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

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 the financial liabilities included in the long-term debt (Note 13) which are measured at amortized cost. The financial liabilities are categorized using the fair value hierarchy.

		As at September 30, 2017		As at September 30, 2016	
	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	**1,542,428**	**1,638,980**	1,733,036	1,855,143
Unsecured committed revolving credit facility	Level 2	**200,000**	**200,000**	—	—
Obligations other than finance leases	Level 2	**61,703**	**60,847**	111,205	109,966
Obligations under finance leases	Level 2	**29,794**	**29,667**	42,172	41,753
Other long-term debt	Level 2	**28,078**	**27,348**	24,562	22,843
		1,862,003	**1,956,842**	1,910,975	2,029,705

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

	Level	As at September 30, 2017	As at September 30, 2016
		$	$
Financial assets			
Financial assets at fair value through earnings			
Cash and cash equivalents	Level 2	**165,872**	596,529
Deferred compensation plan assets (Note 10)	Level 1	**46,906**	42,139
		212,778	638,668
Derivative financial instruments designated as hedging instruments			
Current derivative financial instruments	Level 2	**8,152**	22,226
Long-term derivative financial instruments (Note 10)	Level 2	**24,939**	49,759
		33,091	71,985
Available-for-sale			
Long-term bonds included in funds held for clients (Note 5)	Level 2	**195,509**	195,976
Long-term investments (Note 10)	Level 2	**23,047**	27,246
		218,556	223,222
Financial liabilities			
Derivative financial instruments designated as hedging instruments			
Current derivative financial instruments	Level 2	**12,069**	4,517
Long-term derivative financial instruments	Level 2	**82,365**	46,473
		94,434	50,990

There have been no transfers between Level 1 and Level 2 for the years ended September 30, 2017 and 2016.

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

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, 2017**	As at September 30, 2016
		$	$
Hedges of net investments in foreign operations			
$831,400 cross-currency swaps in euro designated as a hedging instrument of the Company's net investment in European operations ($831,400 as at September 30, 2016)	Current assets	**2,907**	—
	Long-term assets	**14,539**	31,603
Cash flow hedges of future revenue			
U.S.$65,691 foreign currency forward contracts between the U.S. dollar and the Indian rupee (U.S.$31,033 as at September 30, 2016)	Current assets	**37**	3,358
	Long-term assets	**162**	—
	Current liabilities	**330**	58
	Long-term liabilities	**427**	—
$146,881 foreign currency forward contracts between the Canadian dollar and the Indian rupee ($116,700 as at September 30, 2016)	Current assets	**4,644**	11,935
	Long-term assets	**7,429**	7,429
	Current liabilities	**554**	—
	Long-term liabilities	**969**	—
€21,483 foreign currency forward contracts between the euro and the Indian rupee (€8,900 as at September 30, 2016)	Current assets	**—**	376
	Current liabilities	**275**	—
	Long-term liabilities	**366**	—
£29,034 foreign currency forward contracts between the British pound and the Indian rupee (£15,200 as at September 30, 2016)	Current assets	**24**	5,094
	Current liabilities	**771**	—
	Long-term liabilities	**895**	—
€75,374 foreign currency forward contracts between the euro and the British pound (€52,700 as at September 30, 2016)	Current assets	**33**	—
	Long-term assets	**70**	—
	Current liabilities	**1,477**	3,626
	Long-term liabilities	**1,987**	350
€53,527 foreign currency forward contracts between the euro and the Moroccan dirham (€8,300 as at September 30, 3016)	Long-term assets	**2,669**	—
	Current liabilities	**1,681**	710
	Long-term liabilities	**5,427**	—
Other foreign currency forward contracts	Current assets	**507**	1,463
	Long-term assets	**70**	—
	Current liabilities	**231**	123
	Long-term liabilities	**345**	—
Cash flow hedges of Senior U.S. unsecured notes			
U.S.$600,000 cross-currency swaps to Canadian dollar (U.S.$600,000 as at September 30, 2016)	Current liabilities	**6,750**	—
	Long-term liabilities	**69,540**	46,123

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

31. Financial instruments (continued)

FAIR VALUE MEASUREMENTS (CONTINUED)

	Recorded in derivative financial instruments	**As at September 30, 2017**	As at September 30, 2016
		$	$
Fair value hedges of Senior U.S. unsecured notes			
U.S.$250,000 interest rate swaps fixed-to-floating (U.S.$250,000 as at September 30, 2016)	Long-term assets	**—**	10,727
	Long-term liabilities	**2,409**	—

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 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 cash flows;
- The fair value of cash and cash equivalents is determined using observable quotes; and
- The fair value of deferred compensation plan assets within long-term financial assets is based on observable price quotations at the reporting date.

As at September 30, 2017, there were no changes in valuation techniques.

The Company expects that approximately $7,286,000 of the accumulated net unrealized gain on derivative financial instruments designated as cash flow hedges as at September 30, 2017 will be reclassified in the consolidated statements of earnings in the next 12 months.

During the year ended September 30, 2017, 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 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 a portion 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 is also exposed to interest rate risk on its unsecured committed revolving credit facility.

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

31. Financial instruments (continued)

MARKET RISK (CONTINUED)

Interest rate risk (continued)

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 derivative financial instruments, which includes foreign currency forward contracts and cross-currency swaps.

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 Senior U.S. and euro unsecured notes. The Company also hedges a portion of the translation of the Company's net investments in its European operations with cross-currency swaps.

During the year ended September 30, 2016, the Company entered into Canadian dollar to euro cross-currency swap agreements for a notional amount of $831,400,000 designated as hedging instruments of the Company's net investment in European operations.

During the year ended September 30, 2016, the Company settled cross-currency swaps with a notional amount of $109,730,000 for a net amount of $24,057,000. The loss on settlements 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, 2016, the Company has entered into cross-currency swap agreements, for a notional amount of U.S.$600,000,000, related to its Senior U.S. unsecured notes. The cross-currency swaps are designated as cash flow hedges to offset the variability in the exchange rate between the U.S. and Canadian dollar.

The Company enters into foreign currency forward contracts to hedge the variability in various foreign currency exchange rates on future revenues. Hedging relationships are designated and documented at inception and quarterly effectiveness assessments are performed during the year.

The Company is mainly exposed to fluctuations in the Swedish krona, the 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, the U.S. dollar, the euro and the British pound foreign currency rates on net earnings and comprehensive income against the Canadian dollar. The sensitivity analysis 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.

				2017				2016
	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	**(860)**	**(1,174)**	**2,383**	**(539)**	(913)	(1,581)	2,964	(450)
Decrease in other comprehensive income	**(1,839)**	**(74,974)**	**(93,866)**	**(4,788)**	(847)	(85,380)	(92,264)	(2,581)

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

31. Financial instruments (continued)

LIQUIDITY RISK

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's activities are financed through a combination of the cash flows from operations, borrowing under existing credit facility, 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 tables summarize the carrying amount and the contractual maturities of both the interest and principal portion of 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, 2017	**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	**1,004,307**	1,004,307	1,004,307	—	—	—
Accrued compensation	**578,886**	578,886	578,886	—	—	—
Senior U.S. and euro unsecured notes	**1,542,428**	1,823,352	124,201	343,207	818,095	537,849
Unsecured committed revolving credit facility	**200,000**	226,810	6,400	6,400	214,010	—
Obligations other than finance leases	**61,703**	63,454	33,850	18,623	10,981	—
Obligations under finance leases	**29,794**	31,109	14,086	8,341	8,682	—
Other long-term debt	**28,078**	28,787	13,986	2,988	9,130	2,683
Clients' funds obligations	**314,233**	314,233	314,233	—	—	—
Derivative financial liabilities						
Cash flow hedges of future revenue	**90**					
Outflow		17,036	5,486	6,530	5,020	—
(Inflow)		(16,989)	(5,417)	(5,083)	(6,489)	—
Cross-currency swaps	**58,844**					
Outflow		849,762	83,877	317,085	291,798	157,002
(Inflow)		(846,228)	(91,446)	(310,451)	(291,936)	(152,395)
Interest rate swaps	**2,409**					
Outflow		63,248	14,055	14,055	35,138	—
(Inflow)		(70,222)	(15,605)	(15,605)	(39,012)	—
	3,820,772	4,067,545	2,080,899	386,090	1,055,417	545,139

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

31. Financial instruments (continued)

LIQUIDITY RISK (CONTINUED)

As at September 30, 2016	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	1,107,863	1,107,863	1,107,863	—	—	—
Accrued compensation	523,553	523,553	523,553	—	—	—
Senior U.S. and euro unsecured notes	1,733,036	2,083,673	178,105	130,140	786,108	989,320
Obligations other than finance leases	111,205	115,362	48,860	35,668	30,834	—
Obligations under finance leases	42,172	44,205	19,716	11,789	11,932	768
Other long-term debt	24,562	24,687	15,404	1,187	3,797	4,299
Clients' funds obligations	365,994	365,994	365,994	—	—	—
Derivative financial (assets) liabilities						
Cash flow hedges of future revenue	(24,788)					
Outflow		4,813	4,454	359	—	—
(Inflow)		(31,221)	(22,510)	(3,945)	(4,766)	—
Cross-currency swaps	14,520					
Outflow		865,655	17,906	83,678	536,888	227,183
(Inflow)		(917,944)	(30,315)	(95,920)	(558,094)	(233,615)
Interest rate swaps	(10,727)					
Outflow		68,273	12,413	12,413	37,240	6,207
(Inflow)		(90,025)	(16,368)	(16,368)	(49,105)	(8,184)
	3,887,390	4,164,888	2,225,075	159,001	794,834	985,978

As at September 30, 2017, the Company held cash and cash equivalents and long-term investments of $188,919,000 ($623,775,000 as at September 30, 2016). The Company also had available $1,290,369,000 in unsecured committed revolving credit facility ($1,466,086,000 as at September 30, 2016). As at September 30, 2017, trade accounts receivable amounted to $931,530,000 ($816,885,000 as at September 30, 2016). 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.

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

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, 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.

The Company is exposed to credit risk in connection with 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 trade 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 trade accounts receivable that are past due:

	2017	2016
	$	$
Not past due	**806,041**	684,454
Past due 1-30 days	**79,016**	76,339
Past due 31-60 days	**25,262**	19,415
Past due 61-90 days	**8,999**	10,749
Past due more than 90 days	**16,969**	31,241
	936,287	822,198
Allowance for doubtful accounts	**(4,757)**	(5,313)
	931,530	816,885

The carrying amount of trade 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, 2017, total managed capital[1] was $8,253,548,000 ($8,999,358,000 as at September 30, 2016). Managed capital consists of long-term debt, including the current portion (Note 13), cash and cash equivalents, long-term investments (Note 10) 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:

- Net Debt[1]/Capitalization[1]
- Debt/EBITDA[1]

Net debt, capitalization and EBITDA are additional measures. Net debt represents debt (including the current portion and the fair value of derivative financial instruments) less cash and cash equivalents and long-term investments. Capitalization is shareholders' equity plus debt. EBITDA is calculated as earnings from continuing operations before finance costs, income taxes, depreciation, amortization, restructuring costs and acquisition-related and integration costs. The Company believes that the results of the current internal ratios are consistent with its capital management's objectives.

The Company is subject to external covenants on its Senior U.S. and euro unsecured notes and unsecured committed revolving credit facility. The ratios are as follows:

- A leverage ratio[1], which is the ratio of total debt to EBITDA for the four most recent quarters[2].
- An interest and rent coverage ratio[1], which is the ratio of the EBITDAR[1] for the four most recent quarters to the total finance costs and the operating rentals in the same periods. EBITDAR is calculated as EBITDA before rent expense[2].
- 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 Non-GAAP measure.

2 In the event of an acquisition, the available historical financial information of the acquired company will be used in the computation of the ratios.