

CGI GROUP INC
Form 40-F/A
February 23, 2011

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**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**FORM 40-F/A
Amendment No. 1**

(Check one)

**Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934
or**

**Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended September 30, 2010**

Commission file number 1-14858

GROUPE CGI INC./CGI GROUP INC.

(Exact name of Registrant as Specified in Its Charter)

CGI Group Inc.

(Translation of Registrant's Name Into English)

Québec, Canada

(Province or Other Jurisdiction of Incorporation or Organization)

7374

(Primary Standard Industrial Classification Code Number)

[Not Applicable]

(I.R.S. Employer Identification Number)

1130 Sherbrooke Street West

7th Floor

Montréal, Québec

Canada H3A 2M8

(514) 841-3200

(Address and Telephone Number of Registrant's Principal Executive Offices)

CGI Technologies and Solutions Inc.

11325 Random Hills

Fairfax, VA 22030

(703) 267-8679

(Name, Address and Telephone Number of Agent For Service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title Of Each Class

Name Of Each Exchange On Which Registered

Class A Subordinate Voting Shares

New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

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

Annual Information Form

Audited Annual Financial Statements

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 237,684,791 Class A Subordinate Shares, 33,608,159 Class B Shares

Indicate by check mark whether the registrant by filing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the Exchange Act). If Yes is marked, indicate the file number assigned to the registrant in connection with such rule.
Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the Registrant was required to submit and post such files). Yes No

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EXPLANATORY NOTE

This Form 40-F/A amends our Annual Report on Form 40-F for the year ended September 30, 2010 filed on December 23, 2010 (the Original Filing), solely for the purpose of filing the Reports of Independent Registered Chartered Accountants relating to the consolidated balance sheets of CGI Group Inc. and subsidiaries as at September 30, 2010, 2009 and 2008 and the related consolidated statements of earnings, comprehensive income, retained earnings and cash flows for each of the years then ended included in the Audited Annual Financial Statements for the fiscal year ended September 30, 2010 and the corresponding consents of Ernst & Young LLP and Deloitte & Touche LLP. Other than the changes described in the preceding sentence, this amendment does not amend or modify any disclosures in the Original Filing. This Form 40-F/A does not reflect events occurring after the date of the Original Filing or amend, modify or update disclosures affected by subsequent events.

Information to be Filed on This Form

The following materials are filed as a part of this Amendment No. 1 to Annual Report:
Management s and Auditors reports

MANAGEMENT S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

The management of CGI Group Inc. (the Company) is responsible for the preparation and integrity of the consolidated financial statements and the Management s Discussion and Analysis (MD&A). The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and necessarily include some amounts that are based on management s best estimates and judgment. Financial and operating data elsewhere in the MD&A are consistent with that contained in the accompanying consolidated financial statements.

To fulfill its responsibility, management has developed, and continues to maintain, systems of internal controls reinforced by the Company s standards of conduct and ethics, as set out in written policies to ensure the reliability of the financial information and to safeguard its assets. The Company s internal control over financial reporting and consolidated financial statements are subject to audit by the independent auditors, Ernst & Young LLP, whose report follows. They were appointed as independent auditors, by a vote of the Company s shareholders, to conduct an integrated audit of the Company s consolidated financial statements and of the Company s internal control over financial reporting. In addition, the Management Committee of the Company reviews the disclosure of corporate information and oversees the functioning of the Company s disclosure controls and procedures.

Members of the Audit and Risk Management Committee of the Board of Directors, all of whom are independent of the Company, meet regularly with the independent auditors and with management to discuss internal controls in the financial reporting process, auditing matters and financial reporting issues and formulates the appropriate recommendations to the Board of Directors. The independent auditors have unrestricted access to the Audit and Risk Management Committee. The consolidated financial statements and MD&A have been reviewed and approved by the Board of Directors.

(signed)
Michael E. Roach
President and Chief Executive
Officer
November 8, 2010

(signed)
R. David Anderson
Executive Vice-President and Chief Financial Officer

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MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with accounting principles generally accepted in Canada.

The Company's internal control over financial reporting includes policies and procedures that:

Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of the assets of the Company;

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

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

All internal control systems have inherent limitations; therefore, even where internal control over financial reporting is determined to be effective, it can provide only reasonable assurance. Projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

As of the end of the Company's 2010 fiscal year, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined the Company's internal control over financial reporting as at September 30, 2010, was effective.

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

(signed)

Michael E. Roach

President and Chief Executive Officer

November 8, 2010

(signed)

R. David Anderson

Executive Vice-President and Chief Financial Officer

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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. (the Company) internal control over financial reporting as at September 30, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of its interest in a joint venture, which is included in the 2010 consolidated financial statements of the Company, and constituted approximately 1% of total assets as of September 30, 2010 and approximately 2% of revenues for the year then ended. In addition, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Stanley, Inc., acquired six weeks prior to the Company's fiscal year-end, which is included in the 2010 consolidated financial statements of the Company and constituted approximately 28% of total assets (including intangible assets and goodwill) as of September 30, 2010 and approximately 3% of revenues for the year then ended. Our audit of internal control over financial reporting of CGI Group Inc. also did not include an evaluation of the internal control over financial reporting of its interest in a joint venture and of Stanley, Inc.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2010 based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as at and for the year ended September 30, 2010, and our report dated November 8, 2010 expressed an unqualified opinion thereon.

(signed)¹

Ernst & Young LLP

Chartered Accountants

Montréal, Canada

November 8, 2010

1 Chartered accountant auditor permit No. 15859

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENTS

To the Board of Directors and Shareholders of CGI Group Inc.

We have audited the consolidated balance sheet of CGI Group Inc. (the Company) as at September 30, 2010 and the consolidated statements of earnings, comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company for the years ended September 30, 2009 and 2008, were audited by other auditors whose report dated November 8, 2009, expressed an unqualified opinion on those statements, prior to the adjustments described in note 2 and note 28 to these financial statements that were applied to restate the 2009 and 2008 financial statements.

We conducted our audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

As explained in note 2 to the consolidated financial statements, in 2010, the Company adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, Section 1602, Non-Controlling Interests, and amendments to Section 3862, Financial Instruments Disclosures. As explained in note 28, in 2010 the Company adopted the requirements of the Financial Accounting Standards Board's (FASB) ASC Topic 805, Business Combinations. We also audited the adjustments that were applied to restate the 2009 and 2008 financial statements for these changes. In our opinion, such adjustments are appropriate and have been properly applied.

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

(signed)¹

Ernst & Young LLP

Chartered Accountants

Montréal, Canada

November 8, 2010

¹ Chartered accountant auditor permit No. 15859

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REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of CGI Group Inc.

We have audited, before the effects of the adjustments to retrospectively apply the change in accounting policies discussed in note 2 and note 28 to the consolidated financial statements, the consolidated balance sheet of CGI Group Inc. and subsidiaries (the Company) as at September 30, 2009 and the related consolidated statements of earnings, comprehensive income, retained earnings and cash flows for each of the two years in the period ended September 30, 2009 (the 2009 and 2008 consolidated financial statements before the effects of the adjustments discussed in note 2 and note 28 to the consolidated financial statements are not presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements, before the effects of the adjustments to retrospectively apply the change in accounting policies discussed in note 2 and note 28 to the consolidated financial statements, present fairly, in all material respects, the financial position of CGI Group Inc. and subsidiaries as at September 30, 2009 and the results of their operations and their cash flows for each of the years in the two-year period ended September 30, 2009, in accordance with Canadian generally accepted accounting principles.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the change in accounting policy discussed in note 2 and note 28 to the consolidated financial statements and, accordingly, we do not express an opinion or any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those retrospective adjustments were audited by other auditors.

(signed)¹

Deloitte & Touche LLP

Independent Registered Chartered Accountants

Montréal, Canada

November 8, 2009

¹ Chartered accountant auditor permit No. 17046

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Consolidated Statements of Earnings

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

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

Continuing operations (Note 13)	1.24	1.02	0.92
Discontinued operations			(0.02)
	1.24	1.02	0.90

See Notes to the consolidated financial statements.

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Consolidated Statements of Comprehensive Income

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

See Notes to the consolidated financial statements.

Consolidated Statements of Retained Earnings

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

See Notes to the consolidated financial statements.

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Consolidated Balance Sheets

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

Commitments, contingencies and guarantees (Note 25)

Shareholders equity

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

See Notes to the consolidated financial statements.

Approved by the Board	(signed)	(signed)
	Director	Director
	Michael E. Roach	Serge Godin

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Consolidated Statements of Cash Flows

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

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

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

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Notes to the Consolidated Financial Statements

Years ended September 30, 2010, 2009 and 2008

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

Note 1

Description of business

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

Note 2

Summary of significant accounting policies

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

CHANGES IN ACCOUNTING POLICIES

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

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

Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests, together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These sections are similar to the corresponding provisions of IFRS standard, International Accounting Standards 27 (Revised), Consolidated and Separate Financial Statements and of U.S. GAAP standard, ASC Topic 810, Consolidation. Section 1602 requires the Company to report non-controlling interests as a separate component of shareholders equity rather than as a liability on the consolidated balance sheets. Transactions between an entity and non-controlling interests are considered as equity transactions. In addition, the attribution of net earnings and comprehensive income between the Company's shareholders and non-controlling interests is presented separately in the consolidated statements of earnings and comprehensive income rather than reflecting non-controlling interests as a deduction of net earnings and total comprehensive income.

In accordance with the transitional provisions, these sections have been applied prospectively, with the exception of the presentation requirements for non-controlling interest, which must be applied retrospectively. The adoption of these sections change the accounting of the business combination realized in fiscal year 2010 for which acquisition-related and integration costs of \$20,883,000 with associated income tax expense of \$3,688,000 were recorded directly in the consolidated statement of earnings (refer to Note 18a). The previously unrecognized future tax assets related to losses carried forward of past acquisitions of \$7,378,000 were also recognized as a reduction of income tax expense (refer to Note 18b). In addition, the above-mentioned reclassifications of non-controlling interest have been reflected in the consolidated financial statements and had no significant impact. The effects on future

periods will depend on the nature and significance of the business combinations subject to these standards.

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

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USE OF ESTIMATES

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

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated. The Company accounts for its jointly-controlled investment using the proportionate consolidation method.

REVENUE RECOGNITION, WORK IN PROGRESS AND DEFERRED REVENUE

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

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

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

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

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

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

Some of the Company's arrangements may include client acceptance clauses. Each clause is analyzed to determine whether the earnings process is complete when the service is performed. If uncertainty exists about client acceptance, revenue is not recognized until acceptance occurs. Formal client sign-off is not always necessary to recognize revenue, provided that the Company objectively demonstrates that the criteria specified in the acceptance provisions are satisfied. Some of the criteria reviewed include the historical experience with similar types of arrangements, whether the acceptance provisions are specific to the client or are included in all arrangements, the length of the acceptance term and the historical experience with the specific client.

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

Outsourcing and BPS arrangements

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

Revenue from outsourcing and BPS arrangements under fixed-fee arrangements is recognized on a straight-line basis over the term of the arrangement, regardless of the amounts billed, unless there is a better measure of performance or delivery.

Systems integration and consulting services

Revenue from systems integration and consulting services under time and material arrangements is recognized as the services are rendered, and revenue under cost-based arrangements is recognized as reimbursable costs are incurred.

Revenue from systems integration and consulting services under fixed-fee arrangements and software licenses arrangements where the implementation services are essential to the functionality of the software or where the software requires significant customization are recognized using the percentage-of-completion method over the implementation period. The Company uses the labour costs or labour hours incurred to date to measure the progress towards completion. This method relies on estimates of total expected labour costs or total expected labour hours to complete the service, which are compared to labour costs or labour hours incurred to date, to arrive at an estimate of the percentage of revenue earned to date. Management regularly reviews underlying estimates

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of total expected labour costs or hours. Revisions to estimates are reflected in the statement of earnings in the period in which the facts that gave rise to the revision become known.

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

Software license arrangements

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

Work in progress and deferred revenue

Amounts recognized as revenue in excess of billings are classified as work in progress. Amounts received in advance of the delivery of products or performances of services are classified as deferred revenue.

REIMBURSEMENTS

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of unrestricted cash and short-term investments having an initial maturity of three months or less.

SHORT-TERM INVESTMENTS

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

FUNDS HELD FOR CLIENTS AND CLIENTS FUNDS OBLIGATIONS

In connection with the Company's payroll, tax filing and claims services, the Company collects funds for payment of payroll, taxes and claims, temporarily holds such funds until payment is due, remits the funds to the clients employees, appropriate tax authorities or claim holders, files federal and local tax returns, and handles related regulatory correspondence and amendments. The Company presents the funds held for clients and related obligations separately.

CAPITAL ASSETS

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

Buildings	10 to 40 years
Leasehold improvements	Lesser of the useful life or lease term
Furniture, fixtures and equipment	3 to 20 years
Computer equipment	3 to 5 years

INTANGIBLE ASSETS

Contract costs

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

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

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

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Transition costs consist of expenses associated with the installation of systems and processes incurred after the award of outsourcing contracts, relocation of transitioned employees and exit from client facilities. Under BPS contracts, the costs consist primarily of expenses related to activities such as the conversion of the client's applications to the Company's platforms. These incremental costs are comprised essentially of labour costs, including compensation and related fringe benefits, as well as subcontractor costs.

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

Other intangible assets

Other intangible assets consist mainly of internal-use software, business solutions, software licenses and client relationships.

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

The Company amortizes its other intangible assets using the straight-line method over the following estimated useful lives:

Internal-use software	2 to 7 years
Business solutions	2 to 10 years
Software licenses	3 to 8 years
Client relationships and other	2 to 10 years

IMPAIRMENT OF LONG-LIVED ASSETS

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

OTHER LONG-TERM ASSETS

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

BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

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

EARNINGS PER SHARE

Basic earnings per share are based on the weighted average number of shares outstanding during the period. Diluted earnings per share is determined using the treasury stock method to evaluate the dilutive effect of stock options.

RESEARCH AND SOFTWARE DEVELOPMENT COSTS

Research costs are charged to earnings in the period in which they are incurred, net of related tax credits. Software development costs are charged to earnings in the year they are incurred, net of related tax credits, unless they meet specific capitalization criteria related to technical, market and financial feasibility.

Table of Contents**TAX CREDITS**

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

INCOME TAXES

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

TRANSLATION OF FOREIGN CURRENCIES

Revenue and expenses denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the balance sheet date. Realized and unrealized translation gains and losses are reflected in net earnings. Self-sustaining subsidiaries, with economic activities largely independent of the Company, are accounted for using the current rate method. Under this method, assets and liabilities of subsidiaries denominated in a foreign currency are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at average exchange rates prevailing during the period. Resulting unrealized gains or losses are reported as net unrealized gains (losses) on translating financial statements of self-sustaining foreign operations in the consolidated statements of comprehensive income.

The accounts of foreign subsidiaries, which are financially or operationally dependent on the Company, are accounted for using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date, and non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at average rates for the period. Translation exchange gains or losses of such subsidiaries are reflected in net earnings.

STOCK-BASED COMPENSATION

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

HEDGING TRANSACTIONS

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

Cash flow hedges on Senior U.S. unsecured notes

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

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

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

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

Hedge on net investments in self-sustaining foreign subsidiaries

The Company has designated certain long-term debt as a hedging instrument for a portion of the Company's net investment in self-sustaining U.S. and European subsidiaries. Foreign exchange translation gains or losses on the net investments and the effective portions of gains or losses on instruments hedging the net investments are recorded in other comprehensive income (loss).

Table of Contents**Cash flow hedges on future revenue**

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

These hedges were documented as cash flow hedges and no component of the derivative instruments' fair value is excluded from the assessment and measurement of hedge effectiveness. The forward contracts are derivative instruments, and, therefore, are recorded at fair value on the balance sheet under other current assets, other long-term assets, accrued liabilities or other long-term liabilities. Valuation models, such as discounted cash flow analysis using observable market inputs, are utilized to determine the fair values of the forward contracts.

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

FUTURE ACCOUNTING CHANGES

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

Note 3

Cash and cash equivalents

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

Note 4

Accounts receivable

	2010	2009
	\$	\$
Trade	349,349	317,647

Other ¹	74,577	143,644
	423,926	461,291

1 Other accounts receivable include refundable tax credits on salaries related to the Québec Development of E-Business program, Research and Development tax credits in North America and Europe, and other Job and Economic Growth Creation programs available. The tax credits represent approximately \$55,758,000 and \$124,803,000 of other accounts receivable in 2010 and 2009, respectively.

Effective April 1, 2008, the Company became eligible for the new Development of E-Business refundable tax credit, which replaces prior existing Québec tax credit programs. The fiscal measure enables corporations with an establishment in the province of Québec that carry out eligible activities in the technology sector to obtain a refundable tax credit equal to 30% of eligible salaries, up to a maximum of \$20,000 per year per eligible employee until December 31, 2015.

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

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Note 5

Capital assets

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

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

Note 6

Intangible assets

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

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

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

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

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

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

Amortization expense of contract costs is presented in Note 14.

Note 7

Other long-term assets

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

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Note 8

Goodwill

The variations in goodwill are as follows:

	Canada	U.S. & India	Europe & Asia Pacific	2010 Total
	\$	\$	\$	\$
Balance, beginning of year	1,141,381	432,320	101,080	1,674,781
Acquisition (Note 18a)		886,403		886,403
Foreign currency translation adjustment		(25,961)	(9,810)	(35,771)
Balance, end of year	1,141,381	1,292,762	91,270	2,525,413

	Canada	U.S. & India	Europe & Asia Pacific	2009 Total
	\$	\$	\$	\$
Balance, beginning of year	1,158,730	431,129	99,503	1,689,362
Acquisition	209			209
Purchase price adjustments (Note 18c)	(16,059)	(3,865)	(415)	(20,339)
Disposal of assets (Note 18b)	(1,499)			(1,499)
Foreign currency translation adjustment		5,056	1,992	7,048
Balance, end of year	1,141,381	432,320	101,080	1,674,781

Note 9

Other long-term liabilities

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

Asset retirement obligations included in other pertain to operating leases of office buildings where certain arrangements require premises to be returned to their original state at the end of the lease term. The asset retirement obligation liability of \$3,060,000 (\$2,522,000 in 2009) was based on the expected cash flows of \$4,370,000 (\$3,579,000 in 2009) and was discounted at an interest rate of 6.42% (6.83% in 2009). The timing of the settlement of these obligations varies between one and 13 years.

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Note 10

Long-term debt

	2010	2009
	\$	\$
Senior U.S. unsecured notes, bearing a weighted average interest rate of 5.27% and repayable by payments of \$89,593 (US\$87,000) in 2011 and \$20,596 (US\$20,000) in 2014, less imputed interest of \$290 ¹	109,899	114,061
Unsecured committed revolving term facility bearing interest at LIBOR rate plus 0.63% or bankers acceptance rate plus 0.63%, maturing in 2012 ²	964,223	126,043
Obligations bearing a weighted average interest rate of 4.00% and repayable in blended monthly instalments maturing at various dates until 2018	22,049	5,879
Obligations under capital leases, bearing a weighted average interest rate of 4.89% and repayable in blended monthly instalments maturing at various dates until 2018	57,705	37,147
	1,153,876	283,130
Current portion	114,577	17,702
	1,039,299	265,428

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

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

	\$
2011	95,169

2012	968,636
2013	4,750
2014	24,308
2015	1,917
Thereafter	1,391

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

Minimum capital lease payments are as follows:

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

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Note 11

Capital stock

Authorized, an unlimited number without par value:

First preferred shares, carrying one vote per share, ranking prior to second preferred shares, Class A subordinate shares and Class B shares with respect to the payment of dividends;

Second preferred shares, non-voting, ranking prior to Class A subordinate shares and Class B shares with respect to the payment of dividends;

Class A subordinate shares, carrying one vote per share, participating equally with Class B shares with respect to the payment of dividends and convertible into Class B shares under certain conditions in the event of certain takeover bids on Class B shares;

Class B shares, carrying ten votes per share, participating equally with Class A subordinate shares with respect to the payment of dividends, convertible at any time at the option of the holder into Class A subordinate shares.

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

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

1

On January 27, 2010, the Company's Board of Directors authorized the renewal of a Normal Course Issuer Bid (NCIB) to purchase up to 10% of the public float of the Company's Class A subordinate shares during the next year. The Toronto Stock Exchange (TSX) subsequently approved the Company's request for approval. The Issuer Bid enables the Company to purchase up to 25,151,058 Class A subordinate shares (26,970,437 in 2009 and 28,502,941 in 2008) for cancellation on the open market through the TSX. The Class A subordinate shares were available for purchase under the Issuer Bid commencing February 9, 2010, until no later than February 8, 2011, or on such earlier date when the Company completes its purchases or elects to terminate the bid. During 2010, the Company repurchased, under the previous and current NCIB, 35,602,085 Class A subordinate shares (9,525,892 in 2009 and 19,910,068 in 2008) for cash consideration of \$516,699,000 (\$99,881,000 in 2009 and \$213,485,000 in 2008). The excess of the purchase price over the carrying value of Class A subordinate shares repurchased, in the amount of \$347,940,000 (\$55,609,000 in 2009 and \$121,890,000 in 2008), was charged to retained earnings.

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

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

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Note 12

Stock-based compensation plans and contributed surplus

A) STOCK OPTIONS

Under the Company's stock option plan, the Board of Directors may grant, at its discretion, options to purchase Class A subordinate shares to certain employees, officers, directors and consultants of the Company and its subsidiaries. The exercise price is established by the Board of Directors and is equal to the closing price of the Class A subordinate shares on the TSX on the day preceding the date of the grant. Options generally vest one to three years from the date of grant conditionally upon the achievement of objectives and must be exercised within a ten-year period, except in the event of retirement, termination of employment or death. As at September 30, 2010, 52,002,178 Class A subordinate shares have been reserved for issuance under the stock option plan.

The following table presents information concerning all outstanding stock options granted by the Company for the years ended September 30:

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

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

	Options outstanding		Options exercisable		
Range of exercise price	Number of contractual options	Weighted average remaining (years)	Weighted average exercise price	Number of options	Weighted average exercise price

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	\$		\$		\$
2.06 to					
5.20	10,729	0.51	2.57	10,729	2.57
6.05 to					
6.98	2,255,941	4.48	6.48	2,255,941	6.48
7.00 to					
7.87	3,408,828	4.57	7.74	3,408,828	7.74
8.00 to					
8.99	4,417,145	3.43	8.62	4,417,145	8.62
9.05 to					
9.90	4,832,132	7.50	9.34	1,692,713	9.40
10.05 to					
11.80	3,566,872	6.99	11.37	2,284,340	11.35
12.54 to					
13.26	7,964,939	9.01	12.55	10,799	13.26
14.48 to					
15.58	98,897	9.54	14.98	35,897	9.55
	26,555,483	6.58	10.03	14,116,392	8.60

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

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

B) PERFORMANCE SHARE UNITS (PSUs)

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

C) CONTRIBUTED SURPLUS

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

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

Note 13

Earnings per share

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

	2010		2009		2008
Earnings	Weighted average Earnings	Earnings	Weighted average Earnings	Earnings	Weighted average Earnings

	from continuing operations	number of shares outstanding	per share from continuing operations	from continuing operations	number of shares outstanding	per share from continuing operations	from continuing operations	number of shares outstanding	per share from continuing operations
	\$		\$	\$		\$	\$		\$
	362,386	284,826,257	1.27	315,158	306,853,077	1.03	298,266	317,604,899	0.94
Dilutive options ²		8,093,693			3,492,164			5,199,388	
	362,386	292,919,950	1.24	315,158	310,345,241	1.02	298,266	322,804,287	0.92

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

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Amortization

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

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

Note 15
Accumulated other comprehensive loss

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

	October 1, 2008	during the year	September 30, 2009
	\$	\$	\$
Net unrealized losses on translating financial statements of self-sustaining foreign operations (net of accumulated income tax recovery of \$10,464)	(365,672)	6,249	(359,423)
Net unrealized gains on translating long-term debt designated as a hedge of net investments in self-sustaining foreign operations (net of accumulated income tax expense of \$11,623)	45,261	15,739	61,000
Net unrealized gains on cash flow hedges (net of accumulated income tax expense of \$4,422)	(1,013)	13,446	12,433
	(321,424)	35,434	(285,990)
	Balance, as at	Net changes	Balance, as at
	October 1, 2007	during the year	September 30, 2008
	\$	\$	\$
Net unrealized losses on translating financial statements of self-sustaining foreign operations (net of accumulated income tax recovery of \$7,029)	(431,872)	66,200	(365,672)
Net unrealized gains on translating long-term debt designated as a hedge of net investment in self-sustaining foreign operations (net of accumulated income tax expense of \$8,748)	45,799	(538)	45,261
Net unrealized losses on cash flow hedges (net of accumulated income tax recovery of \$187)		(1,013)	(1,013)
	(386,073)	64,649	(321,424)

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

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Note 16

Income taxes

Future income taxes are classified as follows:

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

The income tax expense is as follows:

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

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

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

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

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

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

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

Note 17

Costs of services, selling and administrative

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

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

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

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Note 18

Investments in subsidiaries

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

2010 TRANSACTIONS**a) Acquisition**

The Company made the following acquisition:

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

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

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

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

2 The goodwill arising from the acquisition mainly represents the future economic value associated to acquired work force and synergies with the Company's operations. All of the goodwill is included in the U.S. and India segment and \$26,323,000 is deductible for tax purposes.

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

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

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

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

2009 TRANSACTIONS**a) Acquisition**

There were no significant acquisitions during fiscal 2009.

b) Disposal

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

c) Modifications to purchase price allocations

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

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

d) Consideration of purchase price

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

2008 TRANSACTIONS**a) Acquisition**

There were no acquisitions during fiscal 2008.

b) Disposal

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

c) Modifications to purchase price allocations

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

d) Consideration of purchase price

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

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Note 19

Discontinued operations

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

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

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

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

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

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

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

Note 20

Joint venture: supplementary information

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

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

Non-current liabilities		933	445
	2010	2009	2008
	\$	\$	\$
Statements of earnings			
Revenue	91,015	101,964	87,887
Expenses	79,597	88,552	77,381
Net earnings	11,418	13,412	10,506

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

Note 21

Supplementary cash flow information

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

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

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

	2010	2009	2008
	\$	\$	\$
Operating activities			
Accounts receivable	(693)	(1,476)	408
Work in progress	2,707		
Accounts payable and accrued liabilities		(1,817)	(2,723)
Deferred revenue	3,750	4,779	
	5,764	1,486	(2,315)

Investing activities

Purchase of capital assets	(42,982)	(27,040)	(17,559)
Purchase of intangible assets	(23,708)	(4,779)	(13,185)
	(66,690)	(31,819)	(30,744)

Financing activities

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

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

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

Note 22

Segmented information

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

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

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

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

					2009
	Canada	U.S. & India	Europe & Asia Pacific	Corporate	Total
	\$	\$	\$	\$	\$
Segment revenue	2,216,042	1,421,366	305,417		3,942,825
Intersegment revenue elimination	(36,383)	(59,579)	(21,702)		(117,664)

Revenue	2,179,659	1,361,787	283,715		3,825,161
Earnings (loss) from continuing operations before acquisition-related and integration costs, interest on long-term debt, interest income, other (income) expense, gain on sale of capital assets and income tax expense ¹	320,702	171,965	18,639	(50,565)	460,741
Total assets	2,341,074	985,289	197,619	375,928	3,899,910

¹ Amortization included in Canada, U.S. & India, Europe & Asia Pacific and Corporate is \$116,243,000, \$78,819,000, \$7,247,000 and \$14,495,000, respectively, for the year ended September 30, 2009. Amortization includes an impairment of \$11,143,000 mainly related to other intangible assets in the U.S. & India segment.

	2008				
	Canada	U.S. & India	Europe & Asia Pacific	Corporate	Total
	\$	\$	\$	\$	\$
Segment revenue	2,356,629	1,137,457	296,745		3,790,831
Intersegment revenue elimination	(21,063)	(50,944)	(12,961)		(84,968)
Revenue	2,335,566	1,086,513	283,784		3,705,863
Earnings (loss) from continuing operations before acquisition-related and integration costs, interest on long-term debt, interest income, other (income) expense, gain on sale of capital assets and income tax expense ¹	332,827	129,401	24,692	(56,434)	430,486
Total assets	2,274,589	1,113,303	197,900	94,766	3,680,558

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

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

GEOGRAPHIC INFORMATION

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

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

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

INFORMATION ABOUT SERVICES

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

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

MAJOR CUSTOMER INFORMATION

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

Note 23

Related party transactions

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

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

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

	2010	2009
	\$	\$
Accounts receivable	681	10,542
Work in progress	1,076	5,937

Contract costs	6,210	8,706
Deferred revenue	1,012	3,351

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Note 24

Employee future benefits

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

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

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

The Company maintains two non-qualified deferred compensation plans covering some of its U.S. management. One of these plans is an unfunded plan and the non-qualified deferred compensation liability totaled \$2,376,000 as at September 30, 2010 (\$3,211,000 at September 30, 2009). The other plan is a funded plan for which a trust was established so that the plan assets could be segregated; however, the assets are subject to the Company's general creditors in the case of bankruptcy. The assets, included in other long-term assets, composed of investments, vary with employees' contributions and changes in the value of the investments. The change in liability associated with the plan is equal to the change of the assets. The assets in the trust and the associated liabilities totaled \$16,318,000 as at September 30, 2010 (\$13,108,000 as at September 30, 2009).

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

Note 25

Commitments, contingencies and guarantees

A) COMMITMENTS

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

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

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

\$

2011	54,237
2012	28,730
2013	17,644
2014	5,073
2015	1,409
Thereafter	628

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

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B) CONTINGENCIES

From time to time, the Company is involved in legal proceedings, audits, claims and litigation arising in the ordinary course of its business. Certain of these matters seek damages in significant amounts. Although the outcome of such matters is not predictable with assurance, the Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or the ability to carry on any of its business activities.

In addition, the Company is engaged to provide services under contracts with the U.S. Government. The contracts are subject to extensive legal and regulatory requirements and, from time to time, agencies of the U.S. Government investigate whether the Company's operations are being conducted in accordance with these requirements. Generally, the Government has the right to change the scope of, or terminate, these projects at its convenience. The termination, or reduction in the scope, of a major government project could have a materially adverse effect on the results of operations and financial condition of the Company.

C) GUARANTEES

Sale of assets and business divestitures

In connection with the sale of assets and business divestitures, the Company may be required to pay counterparties for costs and losses incurred as the result of breaches in representations and warranties, intellectual property right infringement and litigation against counterparties. While some of the agreements specify a maximum potential exposure of approximately \$14,570,000 in total, others do not specify a maximum amount or limited period. It is impossible to reasonably estimate the maximum amount that may have to be paid under such guarantees. The amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. No amount has been accrued in the consolidated balance sheets relating to this type of indemnification as at September 30, 2010. The Company does not expect to incur any potential payment in connection with these guarantees that could have a materially adverse effect on its consolidated financial statements.

Other transactions

In the normal course of business, the Company may provide certain clients, principally governmental entities, with bid and performance bonds. In general, the Company would only be liable for the amount of the bid bonds if the Company refuses to perform the project once the bid is awarded. The Company would also be liable for the performance bonds in the event of default in the performance of its obligations. As at September 30, 2010, the Company provided for a total of \$128,161,000 of these bonds. To the best of its knowledge, the Company is in compliance with its performance obligations under all service contracts for which there is a performance or bid bond, and the ultimate liability, if any, incurred in connection with these guarantees would not have a materially adverse effect on the Company's consolidated results of operations or financial condition.

In addition, the Company provides a guarantee of \$5,900,000 of the residual value of a leased property, accounted for as an operating lease, at the expiration of the lease term.

Note 26

Financial instruments

FAIR VALUE

All financial assets classified as held-to-maturity or loans and receivables, as well as financial liabilities classified as other liabilities, are initially measured at their fair values and subsequently at their amortized cost using the effective interest rate method. All financial assets and liabilities classified as held for trading are measured at their fair values. Gains and losses related to periodic revaluations are recorded in net earnings.

The Company has made the following classifications:

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

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

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

Transaction costs are comprised primarily of legal, accounting and other costs directly attributable to the issuance of the respective financial assets and liabilities. Transaction costs are capitalized to the cost of financial assets and liabilities classified as other than held for trading.

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

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

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

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

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

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

FAIR VALUE HIERARCHY

Fair value measurements recognized in the balance sheet are categorized in accordance with the following levels;

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 but that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

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

MARKET RISK (INTEREST RATE RISK AND CURRENCY RISK)

Market risk incorporates a range of risks. Movements in risk factors, such as interest rate risk and currency risk, affect the fair values of financial assets and liabilities.

Interest rate risk

The Company is exposed to interest rate risk on a portion of its long-term debt (Note 10) and does not currently hold any financial instruments that mitigate this risk. The Company analyzes its interest rate risk exposure on an ongoing basis using various scenarios to simulate refinancing or the renewal of existing positions. Based on these scenarios, a change in the interest rate of 1% would not have had a significant impact on net earnings and comprehensive income.

Currency risk

The Company operates internationally and is exposed to risk from changes in foreign currency rates. The Company mitigates this risk principally through foreign debt and forward contracts. The Company enters, from time to time, into foreign exchange forward contracts to hedge forecasted cash flows or contractual cash flows in currencies other than the functional currency of its subsidiaries (Note 2). Hedging relationships are designated and documented at inception and quarterly effectiveness assessments are performed during the year.

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

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

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

LIQUIDITY RISK

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

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at September 30, 2010. All amounts contractually denominated in foreign currency are presented in Canadian dollar equivalent amounts using the period-end spot rate.

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

1,821,844 1,844,082 843,244 969,474 29,958 1,406

As at September 30, 2010, the Company is holding cash and cash equivalents and short-term investments of \$141,020,000 (\$343,427,000 at September 30, 2009). The Company also has available \$519,931,000 in unsecured revolving credit facilities and \$25,000,000 in demand lines of credit (Note 10) (\$1,359,279,000 and \$25,000,000, respectively, at September 30, 2009). In addition, the funds held for clients of \$248,695,000 (\$332,359,000 at September 30, 2009) fully cover the clients' funds obligations. Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

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The Company takes on exposure to credit risk, which is the risk that a client will be unable to pay amounts in full when due. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, short-term investments, work in progress and accounts receivable.

Cash equivalents consist mainly of highly liquid investments, such as money market funds and term deposits, as well as bankers' acceptances and bearer deposit notes issued by major banks (Note 3). None of the cash equivalents are in asset backed commercial paper products. The Company has deposited the cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

The Company has accounts receivable and work in progress derived from clients engaged in various industries including governmental agencies, finance, telecommunications, manufacturing and utilities that are not concentrated in any specific geographic area. These specific industries may be affected by economic factors that may impact accounts receivable. However, management does not believe that the Company is subject to any significant credit risk in view of the Company's large and diversified client base.

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

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

The carrying amount of accounts receivable is reduced by an allowance account and the amount of the loss is recognized in the consolidated statement of earnings within costs of services, selling and administrative. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against costs of services, selling and administrative in the consolidated statement of earnings. Overall, management does not believe that any single industry or geographic region represents a significant credit risk to the Company.

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Note 27

Capital risk management

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to these risks.

The Company manages its capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance. At September 30, 2010, total managed capital was \$3,447,527,000 (\$2,901,811,000 at September 30, 2009). Managed capital consists of long-term debt, including the current portion (Note 10), cash and cash equivalents (Note 3), short-term investments and shareholders' equity. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in the business environment. When capital needs have been specified, the Company's management proposes capital transactions for the approval of the Company's Audit and Risk Management Committee and Board of Directors. The capital risk policy remains unchanged from prior periods.

The Company monitors its capital by reviewing various financial metrics, including the following:

Debt/Capitalization

Net Debt/Capitalization

Debt/EBITDA

Debt represents long-term debt, including the current portion. Net debt, capitalization and EBITDA are non-GAAP measures. Net debt represents debt (including the impact of the fair value of forward contracts) less cash and cash equivalents and short-term investments. Capitalization is shareholders' equity plus debt. EBITDA is calculated as earnings from continuing operations before income taxes, interest expense on long-term debt and depreciation and amortization. The Company believes that the results of the current internal ratios are consistent with its capital management objectives.

The Company is subject to external covenants on its credit facilities and its Senior U.S. unsecured notes. On the credit facilities, the ratios are as follows:

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

An interest and rent coverage ratio, which is the ratio of the EBITDAR for the four most recent quarters to the total interest expense and the operating rentals in the same periods. EBITDAR, a non-GAAP measure, is calculated as EBITDA plus rent expense.

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

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

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

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

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

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

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

The Company is in compliance with these covenants and monitors them on an ongoing basis. The ratios are also reviewed quarterly by the Company's Audit and Risk Management Committee. The Company is not subject to any other externally imposed capital requirements.

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Note 28

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

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

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

Integration costs (vi)	(6,606)	(6,606)	(6,606)
Goodwill (vii)	28,078	28,078	28,078
Income taxes and adjustment for change in accounting policy (viii)	9,715	9,715	9,715
Other (iv)	(3,405)	(3,265)	(3,859)
Equity attributable to shareholders of CGI Group Inc. U.S. GAAP	2,220,036	2,341,936	2,062,202
Equity attributable to non-controlling interest Canadian and U.S. GAAP	6,452	6,342	5,922

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

(ii) Warrants

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

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

(iii) Reversal of income tax provision

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

(iv) Capitalization of intangible assets

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

(v) Unearned compensation

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

(vi) Integration costs

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

(vii) Goodwill

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

further discussion relating to this item.

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

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

(ix) Stock-based compensation

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

Table of Contents**(x) Recent accounting changes**

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

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

(xi) Future accounting changes

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

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The following documents are filed as exhibits to this Amendment No. 1 to Annual Report:

- 23.1 Consent of Ernst & Young LLP
 - 23.2 Consent of Deloitte & Touche LLP
 - 99.1 Certification of the Registrant's Chief Executive Officer required pursuant to Rule 13a-14(a).
 - 99.2 Certification of the Registrant's Chief Financial Officer required pursuant to Rule 13a-14(a).
 - 99.3 Certification of the Registrant's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
 - 99.4 Certification of the Registrant's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant certifies that it meets all of the requirements for filing on Form 40-F/A and has duly caused this Amendment No. 1 to this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Groupe CGI Inc./CGI Group Inc.

By: /s/ Benoit Dubé

Name: Benoit Dubé

Title: Executive Vice-President and Chief
Legal Officer

Date: February 23, 2011

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