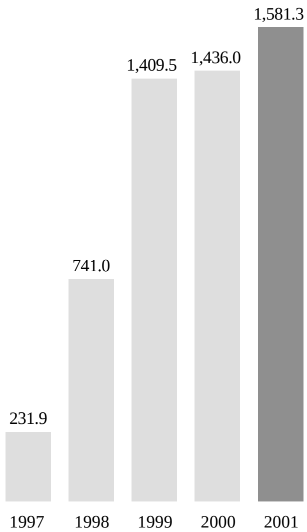
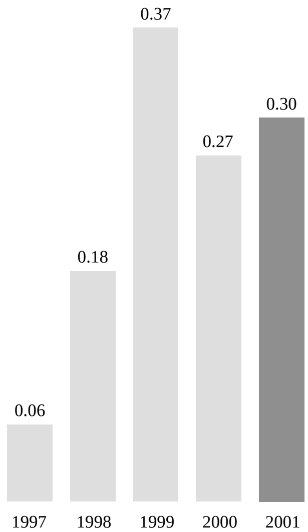
# This is not just an annual report

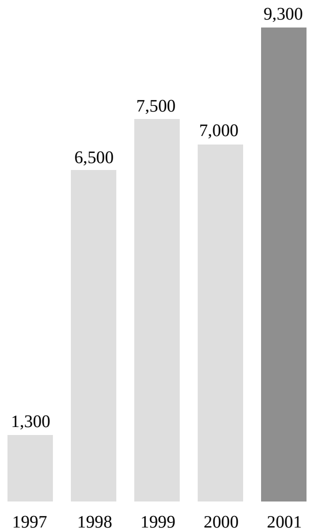
CGI Group Inc. 2001 Annual Report




**Revenue**
in millions of dollars




**Earnings Before Amortization of Goodwill (Cash EPS)**
in dollars




**Contract Backlog**
in millions of dollars

## Our Mission

The mission of CGI is to assist private and public sector organizations with professional services of outstanding quality, competence, performance and objectivity, delivering the best solutions to fully satisfy client objectives in information technology, telecommunications and management. In all we do, we foster a culture of partnership, intrapreneurship and integrity, building a world-class end-to-end information technology company.

## Corporate Profile

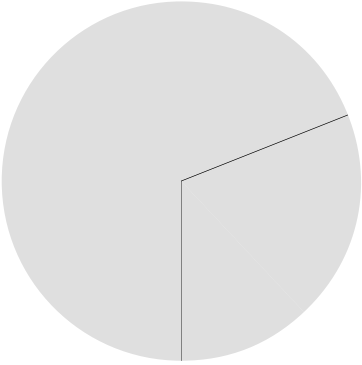
Founded in 1976, CGI is the largest Canadian independent information technology (IT) services firm and the fourth largest in North America, based on its headcount of more than 13,000 professionals. CGI provides end-to-end IT services and business solutions to some 3,000 clients in North America, Europe and Asia Pacific from more than 60 offices in over 20 countries. The company's unique mix of services is comprised of strategic IT and management consulting; systems development and integration; and management of IT and business functions. CGI's shares are traded on the NYSE (GIB) and the TSE (GIB.A) and are included in the TSE 100 Composite Index as well as the S&P/TSE Canadian Information Technology and Canadian MidCap Indices.

## Our Services

CGI provides the consulting, implementation and operations services that companies need to turn their corporate strategy into reality.

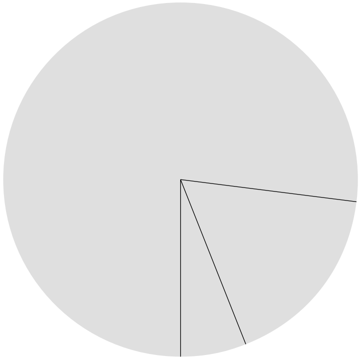
The CGI approach is centered around its clients. Its entrepreneurial heritage enables it to bring client focus and flexibility. CGI specializes in a personalized approach to solving its clients' IT challenges.

*Consulting*
CGI acts as a trusted advisor to its clients, providing a full range of IT and management consulting services, including IT strategic planning, business process engineering and systems architecture.



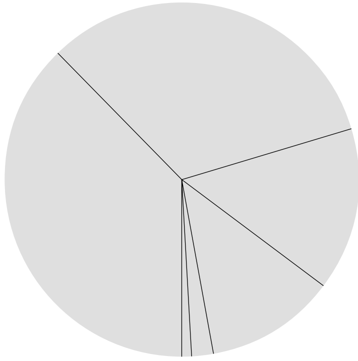
**Services**

| | |
|---|---|
| Management of IT and business functions (Outsourcing) | 69% |
| Systems integration and Consulting | 31% |



**Geographic Markets**

| | |
|---|---|
| Canada | 77% |
| US | 17% |
| International | 6% |



**Target Markets**

| | |
|---|---|
| Financial services | 38% |
| Telecommunications | 33% |
| Manufacturing/retail/distribution | 15% |
| Governments | 12% |
| Utilities and energy | 2% |
| Healthcare | ‹1% |

*Systems integration*
CGI provides implementation services covering the full scope of today's enterprise IT environment, integrating different technologies, to create IT systems that respond to clients' strategic needs. In addition to its expertise at working with leading technologies and software applications, CGI provides customized application development services leveraging its ISO and CMM certified methodologies and the option of economies from offshore development.

*Management of IT and business functions (Outsourcing)*
Clients delegate entire or partial responsibility for IT or business functions in order to achieve significant savings and access the best information technology, while retaining control over strategic IT functions. These contracts, typically for five to 10 years and renewable, provide revenue visibility and support performance stability. They include such services as systems development and maintenance, business solutions and technology management services.

The Company defines its outsourcing business according to the four following categories:
> Tier 1 – Facilities management services including data centers, call centers, network and desktop services;
> Tier 2 – Functions associated with application maintenance and support, including corrective, perfective, preventative and adaptive maintenance;
> Tier 3 – Development and integration of new projects and applications to support clients' strategic objectives, including the full range of CGI consulting and implementation services;
> Tier 4 – Client business process management, where CGI assumes responsibility for performance of both a business function and the IT platform that supports it. CGI provides industry specific services, such as insurance policy administration and wealth management back office services, as well as services across industry sectors such as human resources, payroll, finance and administrative functions.

A high proportion of CGI's outsourcing business is in higher value-added Tier 2 and Tier 3 activities linking CGI closely to the business strategies of its clients and fostering strong partnerships and continuous growth as its clients' needs evolve.

this is how
our fundamentals
drive growth

> deliver quality
> challenge our
> create value for

to our clients
members
our shareholders

# This is not only a computer, it's instant access to your insurance coverage.

In the quest for a better insurance administration process, CGI joined forces with **Allianz,** one of the world's leading financial services company. The two companies worked closely for years to develop and deploy an integrated software package that would help Allianz achieve greater efficiency and enhance customer service.

Called Global Insurance Open Solutions or GIOS, the software facilitates the administration of all forms of insurance, from investment to health. The scope and scale of Allianz's operations were instrumental in the subsequent development and roll out of GIOS. Its unique multi-language and multi-currency capabilities were designed to meet Allianz's need for a single software solution deployable on every continent. And CGI worked with Allianz to set up special skilled resource centers around the world where Allianz IT staff learn to configure GIOS to their various lines of business and become self-sufficient in life cycle support.

GIOS works by making it possible to view the totality of each customer's business across the various insurance types. Allianz can thus respond to a wide range of customer needs on the first call. Not only does this increase customer satisfaction, it also significantly reduces cost. Recently, CGI and Allianz used GIOS to launch 'VOI' (Virtual Online Insurer) which allows Allianz customers to consult and modify their policies and claims via the Internet.

GIOS has the advantage of scalability and flexibility. It accommodates user-developed applications while protecting Allianz's investment through its capacity to grow and change as the company's needs evolve.

# This is not merely a phone, it's access to the world.

Companies rely increasingly on IT to solve business problems. And **Bell Canada,** Canada's national leader for communications in the Internet world, depends on CGI to deliver the end-to-end IT solutions that contribute to peak performance and high-quality customer service.

As Bell's outsourcing partner, CGI serves the company's diverse IT needs, which range from the development of new applications to day-to-day systems operations. Bell's business is complex and meeting the business needs demands a diverse set of highly specialized skills. CGI's focus on quality has ensured that IT operations run efficiently and that the high level of service demanded by the company is consistently delivered.

By working with CGI, Bell was able to double its telephone number capacity in the Greater Toronto Area and develop an advanced high-security access infrastructure for Bell's switching network.

To enhance customer service, Bell worked with CGI to design an integrated bill that makes it easier for customers to keep track of their total communications expenses. In addition, Bell also looked to CGI to develop e-business applications that allow customers to shop for Bell products and services and view their bill online.

With the intensification of competition, Bell requires an IT specialist that offers high value, creates innovative solutions and helps accelerate time to market. For Bell Canada Chief Information Officer Eugene Roman, "CGI is a key partner in enabling Bell to meet our business and financial objectives."

# This is not simply an empty waiting room, it's millions of successfully processed claims.

As the health insurer of approximately two out of every three Tennesseans, **Blue Cross Blue Shield of Tennessee** receives bills for healthcare services rendered from a host of independent providers including hospitals, physicians and pharmacies. In the health insurance business, overpaid and fraudulent claims can represent a costly problem. But with the help of CGI, Blue Cross Blue Shield of Tennessee has a system in place to verify claims for accuracy and completeness.

With the support of a staff of clinicians and nurses, CGI provides consulting and application development services to Blue Cross Blue Shield of Tennessee's provider audit department to assist in the detection of overpaid claims. CGI case management software serves in auditing claims. It has the requisite ability to handle hundreds of provider contracts, multiple lines of business and multiple products, each with distinct rules for reimbursement.

By helping Blue Cross Blue Shield of Tennessee identify overpaid claims, CGI has contributed to reducing medical expenses in the form of claims payment as well as the administrative expenses associated with processing claims. This in turn helps the insurer to hold down premiums for members.

"It is essential for us to have an efficient and effective system for verifying the accuracy of the bills we receive. An indication of our satisfaction with CGI is our recent decision to sign a five-year renewal of the licensing agreement," said Marilyn Korol, Manager, Facility Audit, Blue Cross and Blue Shield of Tennessee.

# This is not simply a television, it's delivering breaking news.

From the moment an election is called to the time the ballots are counted, **Elections Canada** is responsible for ensuring the efficiency and integrity of the electoral process. And in the year 2000, CGI won the bid to develop several mission critical systems for Elections Canada to facilitate the coordination and management of federal elections.

One of the most notable CGI contributions is the Event Result System (ERS). This end-to-end IT system enables Elections Canada to receive and process election results from all 301 electoral districts and transmit them to the media and the public with speed and precision.

Where previously the media would have representatives stationed in every district to report results, election results are now sent directly to a media centre. This represents substantial time-savings for the electronic and print media alike. Results are also sent to the Elections Canada Web site, where they are accessible to the general public.

As a result of an election being called earlier than expected, the time frame for delivery of ERS was unusually tight, and CGI worked against the calendar to meet the October 2000 deadline. In addition to having the system in place on time, CGI had staff on site on election day to handle any last minute glitches.

"Elections Canada is called upon to get accurate and timely information to citizens and journalists at election time. CGI's expertise and support are instrumental in our ability to fulfill this charge more effectively," said Elections Canada Chief Electoral Officer J.P. Kingsley.

# This is not merely a toaster, it’s a product that has been coded and delivered.

**Fingerhut Companies** is one of North America’s leading database marketers, providing everything from electronics to cosmetics directly to the consumer through catalogues, telemarketing and the Internet. Fingerhut’s relationship with CGI began several years ago when the former IMRglobal undertook a project to make Fingerhut Y2K compliant. Now with the merger, Fingerhut benefits from a greatly extended range of services, and the relationship has flourished.

As part of a current five-year contract, CGI is providing vital application maintenance services for every domain of Fingerhut’s operations, from telemarketing and product distribution to order processing and customer service. Employing a combination of onsite and offshore resources to support Fingerhut’s business systems, CGI has improved performance and delivered cost-effective maintenance of legacy applications. For Fingerhut customers, the added efficiency and performance translate into dependably smooth transactions. And with CGI in the picture, Fingerhut people are freer to work on strategic projects.

In this area too CGI is proving a valuable resource. This past summer, CGI conducted an IT assessment that consisted of an eight-week study evaluating infrastructure, operations and all costs associated with the IT function. This study helped Fingerhut align its IT and business plans.

“We have been very satisfied with CGI’s performance, as is evident by our enduring relationship, and look forward to enjoying the benefits that result from the company’s expanded service offerings,” said Fingerhut Chief Information Officer Gary Bledsoe.

# This is not only a bank, it's millions of seamless transactions per day.

The merger of the **Toronto-Dominion Bank** (TD) and Canada Trust was a significant event in recent Canadian banking history. It propelled TD to the position of one of Canada's largest mutual fund companies. And in the process, it offered an opportunity for CGI to demonstrate its IT know-how.

Some of the key challenges in the wake of the merger were to integrate two different systems of managing mutual funds, to develop new functionalities to address gaps between the systems, and to ensure that the resulting integrated system was capable of handling extremely high volumes of transactions. CGI and TD worked together to achieve these aims.

On the basis of a comparative analysis conducted by CGI, TD was able to select the best features of each system, while retaining its Shareholder Management System (SMS), originally developed by CGI. CGI subsequently designed the programs to receive, validate and upload Canada Trust data. It also designed a stand-alone system which enabled TD to perform volume-handling testing.

With the help of CGI's expertise, TD is now able to provide consolidated and streamlined mutual fund services to all its customers. And the success of the project has strengthened the relationship between CGI and the TD Bank Financial Group. "We are confident that CGI's reliable, flexible and cost-effective solutions will support the growth of our business," said Gerry O'Mahoney, Senior Vice-President, Security Services, TD Bank Financial Group.


BANK OF

# These are not just goals, these are our commitments.

## Twenty Five Years of Performance

**Dear Fellow Shareholders:**

In 2001, CGI celebrated 25 years of delivering top quality information technology (IT) services to its clients. Fiscal year 2001 was also a year of many achievements which collectively enhanced the *fundamentals* of CGI that will continue to drive our growth. CGI is now the fourth largest independent IT services provider in North America and is better positioned than ever to capitalize on the growing trend favoring IT and business process outsourcing. With such enormous opportunity ahead of us, we are determined to be a world leader in our domain.

Revenue in fiscal 2001 of $1.58 billion was up 10.1% over fiscal 2000. More importantly, year-over-year revenue growth in our third and fourth quarters, representing 22.2% and 46.5% respectively, demonstrates our return to strong growth trends. While organic growth was negative for the year, we note that it is clearly undergoing a favorable trend, increasing from 3.6% in the third quarter to 13.8% in the last three months of the fiscal year. Operating margins improved throughout the year to 15.5% in the fourth quarter, and cash earnings per share for fiscal 2001 were $0.30, up 11.1% over fiscal 2000. In each of the third and fourth quarters of fiscal 2001, CGI posted cash earnings per share of $0.08, compared with $0.04 and $0.03 in the third and fourth quarters of fiscal 2000, respectively. We completed nine acquisitions, concluded one strategic outsourcing alliance, made equity investments in four joint ventures, announced contracts and renewals worth $4 billion, and welcomed 5,000 new members to CGI. Our backlog today of $9.3 billion—business signed but not yet delivered—is nearly six times our annual revenue, providing far-reaching visibility and a solid base from which to grow.

Our revenue is diversified and reduces risk in uncertain economic conditions. On a current revenue run-rate basis, revenue derived from the long-term outsourcing of our clients' IT needs represents 69%, including a 10% contribution from our business process services. Revenue from systems integration and consulting projects, largely derived from our current, long-standing client relationships, represents 31%. In fiscal 2001, 77% of our revenue was from Canada, 17% from the US and 6% from outside North America. And our focused expertise in six vertical or economic sectors has also provided growth and, at the same time, stability. Revenue from clients in the financial services sector represented 38%; telecommunications 33%; manufacturing/retail/distribution 15%; governments 12%; utilities and energy 2%, and healthcare less than 1%.

Our mission remains the same. All of us at CGI are driven to provide professional services of outstanding quality, competence, performance and objectivity to fully satisfy our clients' objectives.

**Market conditions, in good and bad times, fuel CGI growth**

It is clear that organizations are increasingly aware of the benefits realized through outsourcing their IT and business processing. We have seen demand grow, even in current market conditions. In fact, we realized more than 15 years ago that IT outsourcing was counter-cyclical. When business is prospering, organizations invest more in their IT and we benefit as their long-term IT partner. When economic conditions force a reduction in IT spending budgets, we still see the number of inquiries related to IT and business process outsourcing increase as organizations evaluate the potential to realize cost savings while gaining access to state-of-the-art technology to further enhance their competitiveness. This increased demand for IT and business process outsourcing is strong throughout our network, from all of our targeted market verticals, and especially in Canada and the US.

**How is CGI better positioned to capitalize on these trends than it was a year ago?**
The success we achieved in fiscal 2001 better positions us to capitalize on the growth opportunities in the IT and business process outsourcing markets, especially in the US. For example:

> We can now offer our clients a remote delivery capability including cost competitive offshore application development and maintenance services.

> As part of our contract win with Fireman's Fund Insurance Company, we acquired a data center in Phoenix and can now support our clients' IT data management needs from the US.

> In July, we regrouped our business process services into a separate business unit to focus on leveraging a growing client demand for business process outsourcing and give CGI added depth when bidding on large outsourcing contracts.

By far the most significant step in our expansion strategy to date and driver of future growth was the merger with IMRglobal, which closed at the end of July. In addition to increasing our critical mass of highly skilled members in the US and abroad, the merger increased our vertical market depth and breadth, and added to our list of strong, long-term client relationships. IMRglobal's delivery model complements ours and significantly enhances our ability to offer clients a customized and cost competitive solution for the delivery of their IT services, an important differentiator for CGI.

**Looking ahead**
Our growth initiatives for fiscal 2002 will capitalize on our core *fundamentals* and leverage the excellent results we achieved in fiscal 2001. Although CGI is arguably the premier IT services company in Canada, we have only just begun to establish our position in the US, Europe and abroad. Recent contract wins provide CGI stakeholders with substantial revenue visibility, but key to our future growth will be driving accelerated organic growth and pursuing large outsourcing contract wins. Especially in Canada, we believe that our systems integration and consulting offering will continue to be vital to driving new business as well as to benefit from projects awarded by long-term clients who turn to CGI first as their partner for IT services. The other component of our growth strategy is to identify acquisitions that further CGI's global competitive position by increasing our geographic presence, or enhancing our vertical service offerings.

To support these growth objectives, we are investing in several initiatives at CGI to further strengthen our *fundamentals*. First, in conjunction with an improved business development program, we are devoting more effort to increasing CGI's brand awareness among potential clients, the media and investors, especially outside Canada.

Second, we are making one of our largest investments to date in our human, intellectual capital with the recent establishment of the CGI Leadership Institute. As Paule Doré explains in the following pages, this learning institution will allow us to ensure that the CGI approach to business is well known and integrated by all managers across our network.

Additionally, we will continue to deploy our quality framework, which enables CGI to deliver consistently high quality services everywhere in the world.

Similarly, we are committed to improving shareholder value with continued financial discipline that provides the infrastructure for evaluating acquisitions and structuring large, long-term outsourcing contracts. Our balance sheet remains one of the strongest in our industry, with virtually no debt, making us an attractive IT and business process outsourcing partner and giving us the flexibility to make these new investments in technology and people that will further our long-term success.

We have been blessed by the accelerating trend leading companies to seek a single, dependable partner for their information technology service needs. As we head into our next 25 years, we will continue to pursue our dream of becoming a world leader in our domain. Our core *fundamentals* provide the platform for this goal. We will continue to recruit, motivate and retain the very best people to fulfill the growing demand for IT services under the highest quality standards and in doing so, create meaningful shareholder value.

In addition to applauding our members, we would like to thank our shareholders, clients, partners and members of the Board for their continued support.

(Signed)

Serge Godin
Chairman and Chief Executive Officer

# These are not just words, these are our fundamentals.

## Quality Drives Our Ability to Manage Growth and Create Value

If last year is any indication of things to come, CGI will be growing at breathtaking pace in fiscal 2002. Then again, since inception more than 25 years ago we have been growing rapidly, both organically and through acquisitions. This past year, we completed nine acquisitions, concluded one strategic alliance and took an interest in four joint venture companies. Taking into consideration the numerous outsourcing contracts signed during fiscal 2001, in addition to acquisitions and investments, this represents the integration of 5,000 new employees, or members as we refer to them.

In view of such rapid growth, one of our main challenges obviously rests in maintaining, enriching and further extending our deeply rooted corporate culture. This culture is characterized by a total dedication to client needs, constant focus on delivering high quality services, as well as an entrepreneurial spirit that applies to all our work. These values truly represent who we are, and they are the foundation on which the Company was built over the past 25 years.

Our values also represent a proven set of guiding principles. These have been put to the test, and time and again we have witnessed how they make good business sense. Quality, for instance, stands first and foremost among our values. Seven years ago, CGI became the first North American IT services firm to receive the internationally recognized ISO 9001 quality certification for the way in which we manage projects. Very early on, our quality processes allowed us to improve how we deliver services to our clients. Today, the vast majority of our projects are delivered on time, on budget, and to the satisfaction of our clients. And we have seen a direct correlation between this disciplined approach and the steady improvement of our profit margins.

In the coming year we will be implementing an enhanced version of the quality system that is the cornerstone of our ISO 9001 certified quality approach. This new system, known as the Client Partnership Management Framework (CPMF), was the result of an extensive review. We have now extended the reach of our quality framework, and further improved its potential to make a strategic contribution to our clients' business.

Since a growing proportion of our revenue stream is related to long-term outsourcing contracts, we felt it was time to extend our quality approach beyond service delivery and to focus more on building relationships and providing our clients with greater value from a strategic and tactical standpoint. Our quality processes are now more representative of the way in which we help our clients enhance their competitive position through the use of information technology.

At CGI, integrations of new members are a widely decentralized process. Indeed, consistent with our business approach, local business units are responsible and accountable for identifying acquisition targets and integrating people and operations following the transaction. Throughout the process, of course, business units benefit from the Company's best practices and support from corporate functions. Integrations are handled according to the same exacting standards as clients' IT projects. They are managed according to a strict calendar and come with well-defined deliverables. One designated manager has overall responsibility for the project and member communication ranks high among priorities.

## Preparing Our Leaders For Tomorrow's Challenges

Our ISO 9001 certified processes play an important role and facilitate the integration of new members. For example, each of our business units is individually responsible for maintaining its own ISO 9001 certification. Therefore, securing this certification quickly becomes a matter of pride, and people strive to implement CGI's management frameworks and processes. In fact, shortly after an acquisition, one of our new members' most common question usually is: "When will we be implementing the Company's quality processes and seeking ISO 9001 certification?"

Ensuring that we deliver quality services is directly linked to the depth and management capability of our leaders. It is with this in mind that on June 15, 2001, to coincide with the Company's 25th anniversary, some 250 of our executives and senior managers were personally involved in the launch of the CGI Leadership Institute.

As CGI is becoming a truly global organization, with a presence on four continents and the ability to meet ever more complex client needs, there was a growing requirement to deepen our leadership capability while preparing our people for tomorrow's challenges. This is why we have created our own Leadership Institute.

This learning organization will play a key role in the sharing and dissemination of our values, our best practices and our vision with our ever growing network of members. It will also play a vital role in the integration of new members, since its e-learning features will allow us to quickly disseminate information across our network. In our integration efforts with new members, time is of the essence and the Institute will be a powerful tool at our disposal.

CGI's core values focusing on quality, service to others and personal fulfillment meet a universal need for personal growth and accomplishment. Our members from around the world relate to these values and share in realizing them. Our role as leaders is simply to act as a conduit for the energies of the people who share our Company's dream, whether members, clients or shareholders.

We believe that with the new tools at its disposal, including our quality approach and CPMF, as well as with the CGI Leadership Institute, CGI will, more than ever and for years to come, continue in its role as a force of attraction for members, clients and shareholders.

(Signed)

Paule Doré
Executive Vice-President and Chief Corporate Officer

# Financial Review

24.
Financial Highlights
25.
Management's Discussion and Analysis of Financial Position and Results of Operations
33.
Management's and Auditors' Reports
34.
Consolidated Financial Statements
37.
Notes to the Consolidated Financial Statements

# Financial Highlights

*Years ended September 30 – in thousands of dollars, except per share amounts*

| | 2001 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | Compound annual growth 1996-2001 |
|---|---|---|---|---|---|---|---|---|
| | US$ [1] | CDN$ | CDN$ | CDN$ | CDN$ | CDN$ | CDN$ | % |
| **Financial Performance** | | | | | | | | |
| Revenue | **1,000,832** | **1,581,315** | 1,436,008 | 1,409,458 | 740,963 | 231,916 | 122,015 | 66.9 |
| Operating earnings | **145,329** | **229,620** | 171,697 | 214,277 | 101,367 | 25,124 | 8,601 | 92.9 |
| Operating earnings margin | **14.5%** | **14.5%** | 12.0% | 15.2% | 13.7% | 10.8% | 7.0% | |
| Earnings before amortization of goodwill | **56,914** | **89,924** | 73,542 | 99,906 | 43,166 | 9,210 | 3,163 | 95.3 |
| Basic per share [2] | **0.19** | **0.30** | 0.27 | 0.37 | 0.18 | 0.06 | 0.02 | 71.9 |
| Net earnings | **39,740** | **62,789** | 55,666 | 83,816 | 34,828 | 7,765 | 2,718 | 87.4 |
| Basic per share [2] | **0.13** | **0.21** | 0.21 | 0.31 | 0.15 | 0.05 | 0.02 | 60.0 |
| Operating cash flow [3] | **122,890** | **194,166** | 126,304 | 162,036 | 74,006 | 21,771 | 7,851 | 90.0 |
| Basic per share [2] | **0.41** | **0.65** | 0.47 | 0.60 | 0.32 | 0.14 | 0.06 | 61.0 |
| **Financial Position** | | | | | | | | |
| Total assets | **1,305,565** | **2,062,793** | 928,555 | 866,489 | 744,930 | 154,143 | 72,159 | 95.5 |
| Shareholders' equity | **937,922** | **1,481,917** | 677,301 | 563,055 | 474,247 | 72,271 | 40,789 | 105.1 |
| Basic per share [2] | **2.55** | **4.03** | 2.46 | 2.10 | 1.78 | 0.43 | 0.27 | 71.7 |
| Working capital | **56,845** | **89,815** | 164,624 | 97,556 | 63,956 | 16,935 | 18,823 | 36.7 |
| Current ratio | **1.21:1** | **1.21:1** | 1.87:1 | 1.40:1 | 1.24:1 | 1.30:1 | 1.66:1 | |
| Total bank indebtedness | **15,823** | **25,000** | 30,000 | 46,200 | 1,073 | 34,822 | 10,023 | 20.1 |
| Total bank debt/equity ratio | **0.02:1** | **0.02:1** | 0.04:1 | 0.08:1 | 0.00:1 | 0.48:1 | 0.25:1 | |

## Quarterly Financial Results

| | Fiscal 2001 | | | | Fiscal 2000 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Q4** | **Q3** | **Q2** | **Q1** | Q4 | Q3 | Q2 | Q1 |
| | **CDN$** | **CDN$** | **CDN$** | **CDN$** | CDN$ | CDN$ | CDN$ | CDN$ |
| Revenue | **469,018** | **404,136** | **373,982** | **334,179** | 320,101 | 330,701 | 380,533 | 404,673 |
| Earnings before amortization of goodwill | **27,272** | **24,312** | **22,198** | **16,142** | 7,093 | 11,312 | 27,786 | 27,351 |
| Basic per share [2] | **0.08** | **0.08** | **0.08** | **0.06** | 0.03 | 0.04 | 0.10 | 0.10 |
| Net earnings | **19,821** | **17,340** | **15,206** | **10,422** | 2,419 | 6,876 | 23,412 | 22,959 |
| Basic per share [2] | **0.06** | **0.06** | **0.05** | **0.04** | 0.01 | 0.03 | 0.09 | 0.09 |
| Operating cash flow [3] | **75,558** | **52,729** | **35,003** | **30,876** | 20,614 | 23,083 | 38,879 | 43,728 |
| Basic per share [2] | **0.22** | **0.18** | **0.12** | **0.11** | 0.08 | 0.09 | 0.14 | 0.16 |

*(1) Canadian dollar amounts for the period ended September 30, 2001 have been translated into US dollars solely for the convenience of the reader at the September 30, 2001 rate of CDN$1.58 = US$1.00.*
*(2) Ajusted for 2-for-1 stock splits effective August 12 and December 15, 1997, as well as May 21, 1998 and January 7, 2000.*
*(3) Operating cash flow before changes in non-cash operating working capital items.*
*Note: CGI's policy is to reinvest earnings into its expansion rather than pay dividends.*

# Management's Discussion and Analysis of Financial Position and Results of Operations

The following discussion and analysis should be read in conjunction with the Company's fiscal 2001, 2000 and 1999 Consolidated Financial Statements and the notes thereto beginning on page 34 of this Annual Report. All dollar amounts are in Canadian dollars unless otherwise indicated.

**Corporate Overview**

Headquartered in Montreal, CGI was organized along geographic lines with three strategic business units: Canada, US and International. Effective October 1, 2001, CGI reorganized its business units according to the following breakdown: Canada and Europe, US and Asia Pacific, and Business Process Services (see the section entitled "Organizational Change" on page 26). CGI provides end-to-end information technology (IT) services in six economic sectors: financial services, telecommunications, manufacturing/retail/distribution, governments, utilities and energy, as well as healthcare. Some 69% of the Company's business is in the management of business and IT functions (outsourcing), and 31% in consulting and systems integration.

CGI has more than 13,000 employees (members) and provides end-to-end IT services and business solutions to some 3,000 clients in North America, Europe and Asia Pacific from more than 60 offices in over 20 countries. The Company provides IT facilities management to its clients using a network of state-of-the-art data centers in Montreal, Toronto and Regina, as well as in Phoenix (US) and Basingstoke (UK). CGI also has applications maintenance and development centers in Mumbai and Bangalore (India).

**Business Acquisitions**

In fiscal 2001, CGI completed the acquisition of eight niche companies, one large acquisition and one strategic outsourcing alliance that was accounted for as a business acquisition, as well as four joint venture investments.

On October 4, 2000, CGI completed the acquisition of Detroit-based C.U. Processing Inc. ("CUP"), a provider of information management systems primarily to US credit unions. At the time of the acquisition, CUP had a staff of approximately 160 and for its latest fiscal year, it recorded revenue of more than $35.0 million. CUP was acquired for a cash consideration of $38.5 million and goodwill of $41.6 million was recorded as part of the transaction.

Effective November 27, 2000, CGI completed a 49.0% equity investment in AGTI Consulting Services Inc. ("AGTI"), a Montreal-based IT consulting firm with more than 225 senior consultants and generating annual revenue of approximately $27 million. This transaction was paid for through the issuance of $24.9 million in cash. Goodwill resulting from the transaction amounted to $14.6 million.

On December 12, 2000, CGI completed the acquisition of Toronto-based RSI Realtime Consulting Inc. ("RSI"), an SAP implementation specialist. At the time of the acquisition, the consulting and software development firm employed a staff of 45 and had annual revenue of $6.0 million. CGI completed this acquisition for a consideration of $2.6 million in cash and shares. Goodwill resulting from the transaction amounted to $3.1 million.

On January 4, 2001, CGI closed the acquisition of Groupe-conseil CDL Inc. ("CDL"), a Montreal-based IT consulting firm specializing in the implementation of J.D. Edwards enterprise resource planning solutions. At the time of the acquisition, CDL had 45 employees and annual revenue of $6.4 million. CGI acquired CDL for a consideration of $4.9 million in cash and shares. As part of the transaction, CGI recorded goodwill of $4.0 million.

On January 9, 2001, CGI acquired all of the outstanding shares of Star Data Systems Inc. ("Star Data"), a Canadian-based provider of financial services with annual revenue, at the time of closing, of nearly $80 million. Star Data employed over 400 professionals and operated two primary business lines – information systems and wealth management solutions – and its clients included major Canadian financial institutions. The transaction was completed on the basis of 0.737 Class A subordinate share of CGI for each Star Data common share. As a result of the transaction, CGI issued 13.5 million Class A subordinate shares and recorded goodwill amounting to $73.1 million.

On January 12, 2001, CGI increased its equity ownership in Quebec-based IT consulting firm Conseillers en informatique d'affaires from 35.0% to 49.0%. In the course of this transaction, CGI issued 153,895 Class A subordinate shares and recorded goodwill totalling $2.8 million.

On February 1, 2001, CGI entered into a partnership with Loto-Québec, which involved the creation of Nter Technologies, Limited Partnership ("Nter"). Nter offers products and services to the worldwide gaming industry, including the development and sale of IT solutions, consulting and management services. CGI acquired a 49.9% interest in Nter. At the time of the announcement, the two partners estimated that the venture would generate revenues of approximately $100 million over five years. CGI acquired its ownership position for a cash consideration of $5.0 million. As part of this transaction, CGI accounted for goodwill totalling $2.5 million.

On May 1, 2001, CGI signed a strategic, 10-year alliance worth an estimated value of $1.2 billion with leading Canadian financial services group Confédération des caisses populaires et d'économie Desjardins du Québec. In the context of this agreement, CGI acquired the related assets, certain intellectual property rights and assumed liabilities of Confédération des caisses populaires et d'économie Desjardins du Québec, used in data and micro-computing of Mouvement des caisses Desjardins ("Desjardins") operations. CGI also took over 450 Desjardins employees and two Montreal data centers and will manage Desjardins' data processing operations. CGI also agreed to join with Desjardins to market the client's banking solutions to financial institutions.

On May 31, 2001, CGI acquired California-based CyberBranch Corporation, an Internet and intranet provider of leading edge technology to credit unions across North America. The acquisition was paid for with a cash consideration of $1.5 million, plus future royalties. Goodwill from this transaction totalled $2.1 million.

On July 1, 2001, CGI completed the acquisition of Larochelle Gratton, a Quebec-based IT consulting firm, for a consideration of $4.7 million in cash and 516,352 Class A subordinate shares of CGI. At the time of the acquisition, Larochelle Gratton had annual revenue of $18.0 million and employed a staff of 200 employees. CGI recorded goodwill of $7.8 million as part of this transaction.

On July 27, 2001, CGI completed its merger with IMRglobal Corp. ("IMRglobal"), following the approval of the merger agreement by a majority of IMRglobal shareholders. As part of this transaction, CGI acquired all outstanding shares of common stock of IMRglobal, on the basis of 1.5974 Class A subordinate share of CGI for each share of IMRglobal common stock. As a result of the merger, CGI issued 70.8 million Class A subordinate shares and 8.4 million options to acquire Class A subordinate shares, for a total value of $552.8 million. Non-cash working capital items acquired included costs totalling $68.0 million of acquisition and integration liabilities incurred for professional fees and costs to exit and consolidate certain IMRglobal activities. CGI, as part of the preliminary price allocation, recorded goodwill of $578.5 million on this transaction which, under the new accounting standards effective July 1, 2001, is not amortized.

On August 7, 2001, CGI acquired Portugal-based LoyalTech, a consulting and systems integration firm specializing in customer relationship management solutions and e-business strategies, for a total consideration of $4.2 million. At the time of the acquisition, LoyalTech's sales run-rate totalled over $4 million. Goodwill resulting from this transaction totalled $4.2 million.

On August 27, 2001, CGI signed a joint venture agreement with the former management team of Toronto-based strategy and research firm Digital 4Sight, which involved the creation of a new management strategy and research firm to accelerate Digital 4Sight's expansion. CGI paid a consideration of $200,000 for its 51.0% interest, and recorded goodwill totalling that same amount.

On September 10, 2001, CGI acquired EPC Services Conseils Inc. ("EPC"), a Quebec-based IT consulting firm, for a consideration of $155,000.

**Large Contracts**

On January 4, 2001, CGI signed an outsourcing contract worth more than $119 million with UK-based financial services company Sun Life Financial ("Sun Life"). Under the terms of the contract, extending over a seven-year period, CGI has taken over Sun Life's Basingstoke, UK, data center and will run and support the client's IT infrastructure and desktops.

On January 22, 2001, CGI announced the 10-year extension and broadening of an IT outsourcing agreement with Interac Association, for an undisclosed amount.

On February 7, 2001, CGI signed a major multi-million pounds sterling contract with insurance industry leader Allianz, for the implementation of GIOS, CGI's insurance solution, in more than 20 countries around the world.

On April 5, 2001, CGI and UCAR International Inc. ("UCAR") signed a 10-year outsourcing contract valued at approximately US$75 million. Under the agreement, CGI will manage UCAR's data center services, networks, desktops, telecommunications and legacy systems by leveraging its cost efficient near-shore delivery model.

On June 14, 2001, CGI began operating the IT systems of Laurentian Bank of Canada ("Laurentian Bank"), as part of a $300.0 million, 10-year outsourcing contract with this client. The agreement covers areas such as project development, applications maintenance and evolution, operations support and automated banking machine support. The contract with Laurentian Bank was signed on June 4, 2001.

On October 1, 2001, CGI signed a US$380.0 million, strategic 10-year alliance with California-based Fireman's Fund Insurance Company ("Fireman"). As part of the agreement, CGI took over the client's Phoenix-based, state-of-the art data center and will provide Fireman with IT support services to some 80 locations across the US.

**Organizational Change**

On July 27, 2001, CGI announced the launch of a new business unit, responsible for providing business process services to CGI's worldwide client base. On the same date, CGI also announced organizational adjustments to better reflect the nature of the Company's operations. Based on these changes, the Company's operations are managed by three senior executives, namely Michael Roach, President, Canada and Europe, Satish Sanan, President, US and Asia Pacific, and Joseph Saliba, President, Business Process Services. All CGI global and corporate functions remain the same. This change in operations management will be reflected in the Company's accounting effective October 1, 2001.

Each unit is evaluated primarily on its revenue, operating earnings and net contribution (the latter being defined as earnings before interest, income taxes, entity subject to significant influence and amortization of goodwill) by its respective President, who reports directly to the Chief Executive Officer.

**Growth Strategy of the Company**

The Company's growth strategy is comprised of four pillars, namely organic growth, large outsourcing contracts, acquisition of niche companies and large business acquisitions.

During the year, CGI signed several outsourcing contracts, with an aggregate value of $2.1 billion (excluding backlog from acquired companies), plus a US$380.0 million contract signed with Fireman effective October 1, 2001. Some of these negotiations had been ongoing since the latter part of fiscal 2000, but their signing had been delayed by the turn of the millennium.

Throughout fiscal 2001, the Company continued to acquire niche players in the IT services sector, which allowed it to enrich its vertical industry offering or complete its geographic coverage. The acquisition of these companies and the joint ventures represented the addition of approximately $160 million and $35 million in annual revenue, respectively (based on annualized revenue as at acquisition date).

In addition to the acquisition of these niche companies, CGI also pursued its large acquisition strategy. On July 27, 2001, CGI closed its merger agreement with IMRglobal, which provided it with significantly greater critical mass in the US and other international markets. For the six-month period ended June 30, 2001, representing its last two quarters as a publicly traded company, IMRglobal achieved revenue totalling approximately US$235 million on an annualized basis.

CGI continues to seek large business acquisitions and continues to focus on growing its presence in the US market. One main component of this growth is the Company's highly cost effective IT services delivery model, which allowed it to sign several IT outsourcing contracts during the year. CGI's flexible model allows it to serve its US clients using a combination of local (US), near-shore (Canadian) and offshore (Indian) operations. CGI is in a position to leverage its newly acquired Phoenix-based US data center, its network of Canadian infrastructure facilities, as well as its Bangalore and Mumbai applications development centers.

**Performance Overview**

Fiscal 2001 marked the twenty-fifth consecutive year of growth for CGI, as revenue totalled $1.58 billion, up from $1.44 billion in fiscal 2000 and $1.41 billion in fiscal 1999. Operating earnings before depreciation and amortization of fixed assets and amortization of contract costs and other long-term assets totalled $229.6 million, compared with $171.7 million in fiscal 2000 and $214.3 million in 1999. Earnings before amortization of goodwill were $89.9 million ($0.30 per share basic and diluted), compared with $73.5 million ($0.27 per share basic and diluted) in fiscal 2000 and $99.9 million ($0.37 per share basic and diluted) in fiscal 1999. The year-over-year improvement in earnings before amortization of goodwill was 22.3%. Net earnings amounted to $62.8 million ($0.21 per share basic and diluted), compared with $55.7 million ($0.21 per share basic and $0.20 per share diluted) in fiscal 2000 and $83.8 million ($0.31 per share basic and diluted) in fiscal 1999. The net margin was 4.0%, compared with 3.9% one year ago and 5.9% in 1999.

In the fourth quarter, revenue was $469.0 million, compared with $320.1 million in the fourth quarter a year ago. Operating earnings before depreciation and amortization of fixed assets and amortization of contract costs and other long-term assets totalled $72.6 million, compared with $24.8 million in the fourth quarter of fiscal 2000. Earnings before amortization of goodwill were $27.2 million ($0.08 per share basic and diluted), compared with $7.1 million ($0.03 per share basic and diluted) in fiscal 2000. Net earnings were $19.8 million ($0.06 per share basic and diluted), compared with $2.4 million ($0.01 per share basic and diluted) in the same quarter of fiscal 2000. The year-over-year improvement in earnings before amortization of goodwill was 283.1% while the improvement over the same period for net earnings was 725.0%.

The balance sheet remained strong at September 30, 2001, with $46.0 million in cash and cash equivalents, $1.48 billion in shareholders' equity and $40.3 million in long-term debt, related to bankers' acceptances and capital leases.

**Seasonality**

CGI's quarterly results reflect some seasonality, which in many years has been offset to some extent by the Company's growing outsourcing revenue, which is earned consistently on a monthly basis throughout the year. Seasonality in the fourth quarter of fiscal 2001 has increased marginally following the July 2001 acquisition of IMRglobal, whose business is mainly comprised of consulting and systems integration services.

**Comparison of Operating Results for the Years Ended September 30, 2001, 2000 and 1999**

*Revenue*

Revenue increased by 10.1% in fiscal 2001 to $1,581.3 million, following a marginal increase to $1,436.0 million in fiscal 2000, and a 90.2% increase to $1,409.5 million in fiscal 1999. In fiscal 2001, revenue growth was driven by business acquisitions.

Throughout the year, revenue growth from the US and international markets remained challenged. Completion in fiscal 2000 of a large international systems integration contract in Brazil also hindered internal growth.

These factors were more than compensated by CGI's dynamic two-fold acquisition strategy, aimed at acquiring niche IT companies as well as large players. In fiscal 2001, CGI acquired nine IT companies and took an equity position in four such entities, which together made a revenue contribution of $216.5 million in the year. CGI also acquired one large US-based company (IMRglobal), which added another $48.7 million to revenue in the two last months of fiscal 2001.

Throughout the year, CGI signed several large IT outsourcing contracts, which contributed significantly to its revenue growth. CGI benefited from a five-month contribution from its contract with Desjardins, three and a half month contribution from its agreement with Laurentian Bank, in addition to contracts with Allianz (effective February 7, 2001) and Sun Life (effective January 4, 2001), among others.

In fiscal 2000, the Company benefited from a 12-month contribution of its contract with Bell Mobility, as well as from its DRT Systems International and DRT Systems International L.P. (jointly, "DRT") acquisition, effective July 1, 1999. These revenue gains were partially offset by Bell Canada's reduction in IT budgets, compounded by an industry-wide slowdown in IT spending related to the Year 2000 phenomenon. The 90.2% increase in revenue in fiscal 1999 reflected the $4.5 billion, 10-year IT outsourcing contract with Bell Canada (through CGI's acquisition of Bell Sygma Telecom Solutions) and the acquisition of Bell Sygma International for the full year. The 1999 revenue increase also reflected the acquisition of Technologie Desjardins Laurentienne effective January 1, 1999.

In fiscal 2001, the revenue mix by geographic region was: Canada 77%, compared with 73% in fiscal 2000 and 81% in fiscal 1999; US 17%, compared with 15% in 2000 and 10% in 1999; and International 6%, compared with 12% in 2000 and 9% in 1999.

In fiscal 2001, the mix by type of service was 69% management of IT and business functions – or outsourcing, and 31% from consulting and systems integration. In fiscal 2000, the mix was 62% outsourcing and 38% systems integration and consulting. In fiscal 1999, these two sectors represented 72% and 28%, respectively.

*Operating expenses*

Costs of services, selling and administrative expenses amounted to $1,339.1 million in fiscal 2001 or 84.7% of revenue, compared with $1,254.4 million or 87.3% the previous year and $1,185.6 million or 84.1% of revenue in fiscal 1999. This reduction in the operating expense to revenue ratio in fiscal 2001 was achieved by lower overhead costs in the US and international units resulting from the improvements in the utilization of CGI's IT members, synergies from the integration of the business acquisitions and outsourcing contracts, the revenue contribution of IMRglobal and other acquired companies and, finally, the Company's participation in the Quebec government's refundable tax credits on salaries program which the Company benefits from as a result of its future relocation to E-Commerce Place.

Research expenses amounted to $12.6 million in fiscal 2001, up from $10.0 million in the previous fiscal year and $9.6 million in fiscal 1999. During 2001, CGI continued to invest in the $50.0 million Strategic Investment Program announced in fiscal 2000. The purpose of the program is to support client oriented initiatives, development of CGI's proprietary solutions and implementation of new technologies. CGI's efforts are aimed at assisting its clients in meeting their growing and diversified needs. In fiscal 2000, research expenses were related to the Web-enabling of CGI's capabilities and intellectual property. In 1999, research spending revolved around the development of solutions for the property and casualty insurance markets in Canada and the US.

*Earnings before depreciation and amortization of fixed assets and amortization of contract costs and other long-term assets*

Earnings before depreciation and amortization of fixed assets and amortization of contract costs and other long-term assets totalled $229.6 million, compared with $171.7 million in fiscal 2000 and $214.3 million in fiscal 1999. In fiscal 2001, CGI reported depreciation and amortization of fixed assets totalling $32.5 million, compared with $26.4 million in fiscal 2000 and $27.4 million in fiscal 1999.
In fiscal 2001, amortization of fixed assets increased as a result of the acquisition of fixed assets related to the Desjardins contract, as well as other asset purchases acquired through the nine companies acquired, and the four joint ventures in which CGI acquired interests. In fiscal 2000, amortization of fixed assets was slightly lower than in fiscal 1999, due to the fact that some assets were fully amortized and given that only two companies were acquired. In fiscal 1999, amortization of fixed assets reflected the purchase of new assets resulting from business acquisitions.

Amortization of contract costs and other long-term assets totalled $33.5 million in fiscal 2001, up from $22.0 million in the previous year and $20.9 million in fiscal 1999. Amortization of contract costs and other long-term assets increased as a result of costs incurred for the delivery of large outsourcing contracts with Desjardins, Laurentian Bank, UCAR and Sun Life, among others. In fiscal 2000, the increase in amortization of contract costs and other long-term assets reflected the addition of licensing fees and other expenses incurred in the course of IT management contracts.

*Interest*

Interest on long-term debt increased to $4.2 million from $3.6 million in the previous year and $1.4 million in 1999. In fiscal 2001, interest expense was related mainly to a loan contracted in the course of a large outsourcing contract and an acquisition. In fiscal 2000, such expense stemmed from a full year of outstanding long-term debt relating to the acquisition of DRT. Fiscal 1999 interest expense was primarily related to the financing of the DRT acquisition over a period of three months.

Interest income amounted to $3.0 million, compared with $3.9 million in fiscal 2000 and $5.3 million in 1999. Interest income was related to investment of excess cash balances in short-term fixed income instruments.

*Income taxes*

The effective income tax rate before goodwill amortization was 44.5% in fiscal 2001, compared with 40.5% in 2000 and 41.2% in 1999. In fiscal 2001, the Company recorded additional valuation allowances relating to the tax benefit on losses incurred in the US and certain international operations.

*Earnings before amortization of goodwill*

Earnings before amortization of goodwill totalled $89.9 million ($0.30 per share basic and diluted) in fiscal 2001, compared with $73.5 million ($0.27 per share basic and diluted) in 2000 and $99.9 million ($0.37 per share basic and diluted) in 1999. CGI's increase in earnings before amortization of goodwill was driven by the Company's higher revenue stream resulting from new large IT outsourcing contracts and business acquisitions. However, earnings were negatively impacted by the Company's higher tax expense.

*Amortization of goodwill*

Amortization of goodwill, net of income taxes, increased to $27.1 million, from $17.9 million in fiscal 2000 and $16.1 million in 1999. The increase was mainly due to amortization of the goodwill from the companies acquired in fiscal 2001, and the goodwill resulting from the acquisition of APG Solutions & Technologies Inc. ("APG"), over a full 12-month period, compared with one month in fiscal 2000. Effective July 1, 2001, CGI has been applying Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1581, *Business Combinations,* and 3062, *Goodwill and Other Intangible Assets*. Please refer to Note 2 to the Consolidated Financial Statements on page 37. Accordingly, CGI has not amortized goodwill related to the business acquisitions of IMRglobal, LoyalTech, Larochelle Gratton, EPC and Digital4Sight. Effective October 1, 2001, CGI will no longer record amortization of goodwill.

*Net earnings*

Net earnings increased 12.8% to $62.8 million ($0.21 per share basic and diluted), from $55.7 million ($0.21 per share basic and $0.20 per share diluted) in fiscal 2000 and $83.8 million ($0.31 per share basic and diluted) in fiscal 1999. The net margin was 4.0%, compared with 3.9% in fiscal 2000 and 5.9% in fiscal 1999.

The weighted average number of shares outstanding increased by 10.7% to 299,500,350, compared with a 0.9% increase to 270,442,354 in fiscal 2000 and 14.2% increase to 267,969,082 in fiscal 1999, adjusted for two-for-one share splits in January 2000. In fiscal 2001, the increase in the weighted number of shares outstanding resulted from the issue of 70,753,841 shares for the acquisition of IMRglobal on July 27, 2001, the issue of 5,953,248 shares on August 14, 2001 for the exercise of preemptive rights of Serge Godin and André Imbeau in the course of the IMRglobal transaction, and the issue of 15,081,337 shares in consideration for the business acquisitions outlined in Note 9 to the Consolidated Financial Statements on page 46.

On October 1, 2000, the Company adopted the new recommendations of the CICA Handbook Section 3500, *Earnings per share*. Under the revised Section 3500, the treasury stock method is used instead of the imputed earnings approach for determining the dilutive effect of options and warrants issued. In addition, the section requires that a reconciliation of the numerator and denominator be disclosed (see Notes 2 and 7 to the Consolidated Financial Statements on pages 37 and 42).

In accordance with US generally accepted accounting principles ("GAAP"), net earnings were $46.2 million ($0.15 per share basic and diluted) in fiscal 2001, $53.9 million ($0.20 per share basic and diluted) in fiscal 2000 and $86.1 million ($0.32 per share basic and diluted) in fiscal 1999. Differences between Canadian GAAP and US GAAP arise mainly from the difference in the accounting treatment of warrants issued, as well as the method used for integration costs recognition.

*Liquidity and financial resources*

CGI concluded fiscal 2001 with a strong balance sheet and cash position which, together with its available credit facility, is sufficient to support the Company's organic growth strategy. If these resources need to be augmented due to the financing requirements related to new large outsourcing contracts or large acquisitions, significant additional cash requirements would likely be financed by the issuance of debt and/or equity securities.

In fiscal 2001, the Company renewed the $250.0 million revolving credit facility arranged in 1999 with four Canadian chartered banks. The credit facility is available for business acquisitions, for general working capital purposes and can be locked into a three-year term at the Company's initiative. At the close of fiscal 2001, the total credit facilities available amounted to $225.2 million.

Operating cash flow before changes in non-cash operating working capital items was $194.2 million ($0.65 per share basic) in fiscal 2001, compared with $126.3 million in fiscal 2000 ($0.47 per share basic) and $162.0 million ($0.60 per share basic) in fiscal 1999. When adjusted for changes in non-cash operating working capital items, the operating cash flow was $174.0 million, compared with $67.6 million in fiscal 2000 and $76.5 million in 1999. The change in the operating cash flow reflected the $7.1 million increase (12.8%) in net earnings, as well as higher depreciation and amortization expenses and future income taxes.

Changes in non-cash operating working capital items, which excludes business acquisitions described in Note 9 to the Consolidated Financial Statements on page 46, reflected an increase in accounts receivable and work in progress, which resulted from the increased business volumes, business acquisitions and major outsourcing contracts signed during the year. Accounts payable and accrued liabilities increased in the normal course of business. Deferred revenue increased due to the billing in advance on new outsourcing contracts as well as a general increase related to other outsourcing contracts. In fiscal 2000, the change in non-cash working capital items reflected mainly a decrease in accounts payable and accrued liabilities related to the decrease in the operating expenses on a quarter-over-quarter basis.

Net cash used for financing activities amounted to $15.8 million, from $11.2 million in fiscal 2000 while $41.5 million was provided by financing activities in fiscal 1999. The $65.0 million of debt repayment during fiscal 2001 was related to the reimbursement of outstanding long-term debt of acquired companies (mostly Star Data and IMRglobal). Also, during fiscal 2001 the Company repaid, on its credit facility, an amount of $5.0 million over and above the sums drawn during the year.

In fiscal 2001, the issuance of shares provided $54.2 million to the cash balance, compared with $10.9 million in the previous year. This resulted primarily from the exercise of preemptive rights by two majority shareholders of the Company pursuant to the IMRglobal merger, as well as from the exercise of options.

Net cash used for investing activities totalled $157.8 million, up from $50.3 million in fiscal 2000. Business acquisitions increased to $86.4 million, up from $18.4 million in fiscal 2000, reflecting the Company's 10 business acquisitions and four joint venture investments completed in fiscal 2001, compared with two business acquisitions in fiscal 2000 (for a complete description of business acquisitions, please refer to the section entitled "Business Acquisitions" on page 25). The purchase of fixed assets totalled $24.0 million, compared with $18.1 million in fiscal 2000. The increase reflected improvements that were carried out on Star Data's infrastructure and other assets which were also acquired in the normal course of business.

Contract costs and other long-term assets include costs incurred as part of outsourcing contracts signed during the year, including those with Desjardins, Laurentian Bank, Sun Life and UCAR.

The net decrease in cash position amounted to $3.3 million, compared with a net increase of $7.1 million in fiscal 2000, and a net decrease of $79.2 million in fiscal 1999.

*Accounting changes*

Effective July 1, 2001, CGI has been applying CICA Handbook Sections 1581, *Business Combinations,* and 3062, *Goodwill and Other Intangible Assets*. The standards require that all business combinations be accounted for using the purchase method. Additionally, effective January 1, 2002, goodwill and other intangible assets with an indefinite life will no longer be amortized to earnings and will be assessed for impairment on an annual basis in accordance with the new standards. Please refer to Note 2 to the Consolidated Financial Statements on page 37.

**Balance Sheet–Fiscal Year-Ends 2001 and 2000**

Assets totalled $2,062.8 million at the end of fiscal 2001, compared with $928.6 million at September 30, 2000, representing an increase of 122.2%. All asset items increased over the previous fiscal year, the major item being goodwill, which increased by $718.9 million (181.6%) to $1,114.8 million, from $395.9 million in fiscal 2000 due to goodwill resulting from the 10 business acquisitions and four joint venture investments completed during the year. This $718.9 million increase also includes $578.5 million of goodwill from the acquisition of IMRglobal.

Fiscal 2001 accounts receivable include the Quebec government's E-Commerce Place tax credits on salaries which the Company has been accounting for since the third quarter of fiscal 2000. Such credits were excluded from the calculation of the Company's collection period for accounts receivable and work in progress (days-sales outstanding or DSOs), which amounted to 72 days, compared with 75 days in fiscal 2000. Excluding the impact on DSOs of the IMRglobal acquisition, DSOs for CGI would have totalled 65 days as at September 30, 2001. This difference is due to the fact that IMRglobal's revenue stream was accounted for over a period of only two months. In fiscal 2000, the DSOs reflected the closing of the APG shortly before the end of the fiscal year.

Fixed assets increased to $123.4 million, up from $58.9 million in fiscal 2000. The increase was primarily a result of assets acquired through business acquisitions and large outsourcing contracts. Four buildings, located in Clearwater (two), Mumbai and New Delhi and worth $23.4 million were acquired through the merger agreement with IMRglobal.

Contract costs and other long-term assets are related to large outsourcing contracts and include certain integration costs as well as incentives and warrants granted to clients to encourage the use of IT services from CGI. These contracts include conditions for early termination such that any unamortized amount would be refundable to CGI upon termination.

Accounts payable and accrued liabilities totalled $315.9 million, up 121.3% from the amount of $142.8 million recorded in fiscal 2000, primarily due to 10 business acquisitions and four joint venture investments. The transaction with IMRglobal also resulted in an addition of $53.1 million in accounts payable, as at September 30, 2001.

Deferred revenue totalled $85.2 million, up from $33.2 million in fiscal 2000. The current liability is comprised mostly of billing revenue, related to certain outsourcing contracts, which has been paid prior to the delivery of services. This increase is consistent with the greater number and larger value of outsourcing contracts signed during fiscal 2001.

CGI's long-term debt decreased by 7.1% to $40.3 million as at September 30, 2001, compared with $43.4 million one year prior. This is the result of a net repayment of $5.0 million on its credit facility line, partially offset by additional capital leases.

Deferred credits are primarily comprised of unused portion of discounts granted under the terms of the contracts entered into with Desjardins and Laurentian Bank.

**Risks and Uncertainties**

While management is optimistic about the Company's long-term prospects, the following risks and uncertainties should be considered in evaluating CGI's potential.

The competition for contracts–CGI has a highly disciplined approach to management of all aspects of its business, with an increasing proportion of its operations codified under ISO 9001 certified processes and in corporate manuals. These processes were developed to help CGI ensure that its employees deliver services consistently according to the Company's high standards and they are based on strong values underlying its client-focused culture. These processes contribute to CGI's high contract win rate and renewal rate. Additionally, the Company has developed a deep strategic understanding of the six economic sectors it targets, and this helps enhance its competitive position. CGI's critical mass and end-to-end IT services have qualified it to make proposals on large IT services contracts across North America and in Europe.

The long sales cycle for major outsourcing contracts–The average sales cycle for large outsourcing contracts typically ranges from six to 18 months. In the second half of fiscal 2001, however, CGI witnessed a shortening of the sales cycle and, in some cases, signing of outsourcing contracts only a few months after issuance of requests for proposals.

Foreign currency risk–The increased international business volume could expose CGI to greater foreign currency exchange risks, which could adversely impact its operating results. CGI has in place a hedging strategy to protect it, to the extent possible, against foreign currency exposure.

Business mix variations–Following the merger with IMRglobal, the greater proportion of consulting and systems integration services in CGI's business mix, versus outsourcing, may result in greater quarterly revenue variations. However, CGI's efforts are aimed at developing IMRglobal's capability to deliver an end-to-end IT outsourcing offering. As a result of this transition, CGI expects to increase the proportion of its outsourcing business, thus ensuring greater revenue visibility and predictability.

The availability and cost of qualified IT professionals – The high growth of the IT industry results in strong demand for qualified individuals. Over the years, CGI has been able to successfully staff for its needs thanks to its solid culture, strong values and emphasis on career development, as well as performance-driven remuneration. In addition, CGI has implemented a comprehensive program aimed at attracting and retaining qualified and dedicated professionals and today, CGI is a preferred employer in the IT services industry. CGI also secures access to additional qualified professionals through outsourcing contracts and business acquisitions.

The ability to successfully integrate business acquisitions and the operations of IT outsourcing clients – The integration of acquired operations has become a core competency for CGI, which has acquired a significant number of companies over the past 15 years. The Company's disciplined approach to management, largely based on its ISO 9001 certified management frameworks, has been an important factor in the successful integration of human resources of acquired companies and the IT operations of outsourcing clients. As at the end of fiscal 2001, the vast majority of CGI's operations had received ISO 9001 certification.

The ability to continue developing and expanding service offerings to address emerging business demand and technology trends – CGI remains at the forefront of developments in the IT services industry, thus ensuring that it can meet the evolving needs of its clients. The Company achieves the aforementioned through: its specialization in six targeted economic sectors, its non-exclusive commercial alliances with hardware and software vendors and strategic alliances with major partners, its development of proprietary IT solutions to meet the needs of clients, regular training and sharing of professional expertise across its network of offices, and business acquisitions that provide specific knowledge or added geographic coverage.

Material developments regarding major commercial clients resulting from such causes as changes in financial condition, mergers or business acquisitions – With the exception of BCE Inc., its subsidiaries and affiliates, no one company or group of related companies represents more than 10% of CGI's total revenue.

Potential liability if contracts are not successfully carried out – CGI has a strong record of successfully meeting or exceeding client needs. The Company takes a professional approach to business, and its contracts are written to clearly identify the scope of its responsibilities and to minimize risks.

**Outlook**

CGI expects to post solid growth in fiscal 2002. The Company's strategy will continue to be based on its four pillars of growth, namely organic, growth through large outsourcing contracts, and growth through the acquisition of niche players and large companies.

CGI will continue to leverage its unique and highly flexible outsourcing delivery model in order to secure a growing number of large outsourcing contracts in the US market. As CGI successfuly completes the integration of IMRglobal, it expects to gradually migrate IMRglobal's business model away from consulting and systems integration, to focus more on providing end-to-end IT outsourcing services.

There is growing demand for IT services outsourcing in CGI's markets in general, and particularly in North America. In a slowing economic environment, more and more companies recognize the value of outsourcing their IT services in order to reduce their cost base while using IT to further enhance their competitive position.

Also, CGI's solid balance sheet with a strong liquidity position enables it to capitalize on acquisition opportunities and is an important strength when bidding on large contracts. CGI maintains a conservative approach to financial management.

**Forward-looking statements**

All statements contained in the Annual Report of CGI Group Inc., or in any document filed by the Company with the U.S. Securities and Exchange Commission ("SEC"), or in any other written or oral communication by or on behalf of the Company, that do not directly and exclusively relate to historical facts, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements represent the intentions, plans, expectations and beliefs of CGI Group Inc. and no assurance can be given that the results described in such statements will be achieved.

The Annual Report may contain forward-looking statements that involve a number of risks and uncertainties including statements regarding the outlook for the Company's business and results of operations. There are a number of factors that could cause such actual results to differ materially from those indicated. Such factors include, without limitation, the various factors set forth in the Management's Discussion and Analysis of Financial Position and Results of Operations of this report under "Risks and Uncertainties", or Form 40F filed with the SEC, which important factors are included here by reference.

CGI disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# Management's and Auditors' Reports

*Management's Report*

The management of the Company is responsible for the preparation and integrity of the financial statements contained in the Annual Report. These 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. Management considers that the statements present fairly the financial position of the Company, the results of its operations and its cash flows.

To fulfil its responsibility, management developed and continues to maintain systems of internal accounting controls and establishes policies and procedures to ensure the reliability of financial information and to safeguard assets. The internal control systems and financial records are subject to reviews by external auditors during the examination of the financial statements.

The Audit Committee of the Board of Directors meets regularly with the external auditors and with management to approve the scope of audit work and assess reports on audit work performed. The financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

| | |
|---|---|
| (Signed) | (Signed) |
| Serge Godin | André Imbeau |
| Chairman and Chief Executive Officer | Executive Vice-President and Chief Financial Officer |

November 5, 2001

*Auditors' Report*

To the Shareholders of CGI Group Inc.

We have audited the consolidated balance sheets of CGI Group Inc. as at September 30, 2001 and 2000 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the three-year period ended September 30, 2001. 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. 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2001 and 2000 and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2001 in accordance with Canadian generally accepted accounting principles.

(Signed)
Samson Bélair Deloitte & Touche

Chartered Accountants

Montreal, Quebec
November 5, 2001

## Consolidated Statements of Earnings

*Years ended September 30 – in thousands of Canadian dollars, except per share amounts*

| | **2001** | 2000 | 1999 |
|---|---|---|---|
| | $ | $ | $ |
| **Revenue** | **1,581,315** | 1,436,008 | 1,409,458 |
| Operating expenses | | | |
| Costs of services, selling and administrative expenses | **1,339,110** | 1,254,351 | 1,185,563 |
| Research | **12,585** | 9,960 | 9,618 |
| | **1,351,695** | 1,264,311 | 1,195,181 |
| Operating earnings before: | **229,620** | 171,697 | 214,277 |
| Depreciation and amortization of fixed assets | **32,536** | 26,387 | 27,415 |
| Amortization of contract costs and other long-term assets | **33,460** | 21,991 | 20,876 |
| | **65,996** | 48,378 | 48,291 |
| Earnings before the following items | **163,624** | 123,319 | 165,986 |
| Interest | | | |
| Long-term debt | **4,206** | 3,624 | 1,389 |
| Other | **335** | 130 | 120 |
| Income | **(2,999)** | (3,898) | (5,310) |
| | **1,542** | (144) | (3,801) |
| Earnings before income taxes, entity subject to significant influence and amortization of goodwill | **162,082** | 123,463 | 169,787 |
| Income taxes (Note 8) | **72,165** | 49,985 | 69,943 |
| Earnings before entity subject to significant influence and amortization of goodwill | **89,917** | 73,478 | 99,844 |
| Entity subject to significant influence | **7** | 64 | 62 |
| Earnings before amortization of goodwill | **89,924** | 73,542 | 99,906 |
| Amortization of goodwill, net of income taxes | **27,135** | 17,876 | 16,090 |
| **Net earnings** | **62,789** | 55,666 | 83,816 |
| Weighted average number of outstanding Class A subordinate shares and Class B shares | **299,500,350** | 270,442,354 | 267,969,082 |
| **Earnings before amortization of goodwill per share** | **0.30** | 0.27 | 0.37 |
| **Basic earnings per share** | **0.21** | 0.21 | 0.31 |
| **Diluted earnings per share** | **0.21** | 0.20 | 0.31 |

*See Notes to the Consolidated Financial Statements.*

## Consolidated Statements of Retained Earnings

*Years ended September 30 – in thousands of Canadian dollars*

| | **2001** | 2000 | 1999 |
|---|---|---|---|
| | $ | $ | $ |
| **Retained earnings, beginning of year, as previously reported** | **183,156** | 139,080 | 55,264 |
| Adjustment for change in accounting policy (Note 2) | **–** | (11,590) | – |
| Retained earnings, beginning of year, as restated | **183,156** | 127,490 | 55,264 |
| Net earnings | **62,789** | 55,666 | 83,816 |
| **Retained earnings, end of year** | **245,945** | 183,156 | 139,080 |

*See Notes to the Consolidated Financial Statements.*

## Consolidated Balance Sheets

*As at September 30 – in thousands of Canadian dollars*

| | 2001 | 2000 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | **46,008** | 49,341 |
| Accounts receivable (Note 3) | **320,667** | 218,938 |
| Income taxes | **979** | 2,733 |
| Work in progress | **84,838** | 56,799 |
| Prepaid expenses and other current assets | **48,931** | 19,442 |
| Future income taxes (Note 8) | **17,998** | 7,052 |
| | **519,421** | 354,305 |
| Investment in an entity subject to significant influence | **–** | 1,261 |
| Fixed assets (Note 4) | **123,391** | 58,900 |
| Contract costs and other long-term assets (Note 5) | **272,403** | 93,716 |
| Future income taxes (Note 8) | **32,785** | 24,470 |
| Goodwill | **1,114,793** | 395,903 |
| | **2,062,793** | 928,555 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | **315,902** | 142,754 |
| Deferred revenue | **85,163** | 33,194 |
| Future income taxes (Note 8) | **21,013** | 7,963 |
| Current portion of long-term debt (Note 6) | **7,528** | 5,770 |
| | **429,606** | 189,681 |
| Future income taxes (Note 8) | **43,705** | 23,929 |
| Long-term debt (Note 6) | **32,752** | 37,644 |
| Deferred credits | **74,813** | – |
| | **580,876** | 251,254 |
| **Shareholders' equity** | | |
| Capital stock (Note 7) | **1,213,542** | 491,807 |
| Contributed surplus | **211** | 211 |
| Warrants (Note 7) | **19,655** | – |
| Retained earnings | **245,945** | 183,156 |
| Foreign currency translation adjustment | **2,564** | 2,127 |
| | **1,481,917** | 677,301 |
| | **2,062,793** | 928,555 |

*See Notes to the Consolidated Financial Statements.*

Approved by the Board

(Signed) (Signed)

Director Director

## Consolidated Statements of Cash Flows

*Years ended September 30 – in thousands of Canadian dollars*

| | 2001 | 2000 | 1999 |
|---|---|---|---|
| | $ | $ | $ |
| **Operating activities** | | | |
| Net earnings | **62,789** | 55,666 | 83,816 |
| Adjustments for: | | | |
| Depreciation and amortization of fixed assets | **32,536** | 26,387 | 27,415 |
| Loss (gain) on disposal of fixed assets | **–** | 1,454 | (135) |
| Amortization of contract costs and other long-term assets | **33,460** | 21,991 | 20,876 |
| Amortization of goodwill | **28,586** | 19,153 | 16,584 |
| Future income taxes | **32,589** | 2,214 | 12,364 |
| Foreign exchange loss (gain) | **4,213** | (497) | 988 |
| Entity subject to significant influence | **(7)** | (64) | (62) |
| Other | **–** | – | 190 |
| | **194,166** | 126,304 | 162,036 |
| Changes in non-cash operating working capital items: | | | |
| Accounts receivable | **(33,786)** | 17,206 | (10,229) |
| Work in progress | **(12,277)** | 31,725 | (56,552) |
| Prepaid expenses and other current assets | **(556)** | (5,486) | (1,389) |
| Accounts payable and accrued liabilities | **2,073** | (92,027) | (10,998) |
| Income taxes | **(559)** | (13,647) | (16,218) |
| Deferred revenue | **24,941** | 3,475 | 9,860 |
| | **(20,164)** | (58,754) | (85,526) |
| Cash provided by operating activities | **174,002** | 67,550 | 76,510 |
| **Financing activities** | | | |
| Net variation of credit facility | **(5,000)** | (16,200) | 46,200 |
| Reduction of other long-term debts | **(65,027)** | (5,907) | (9,670) |
| Issuance of shares | **54,206** | 10,931 | 4,992 |
| Cash (used for) provided by financing activities | **(15,821)** | (11,176) | 41,522 |
| **Investing activities** | | | |
| Business acquisitions (net of cash) (Note 9) | **(86,393)** | (18,395) | (119,106) |
| Investment in an entity subject to significant influence | **–** | (514) | – |
| Purchase of fixed assets | **(23,993)** | (18,090) | (20,678) |
| Proceeds from sale of fixed assets | **1,270** | 845 | 2,201 |
| Contract costs and other long-term assets | **(48,635)** | (14,177) | (58,884) |
| Cash used for investing activities | **(157,751)** | (50,331) | (196,467) |
| Foreign exchange (loss) gain on cash held in foreign currencies | **(3,763)** | 1,069 | (754) |
| Net (decrease) increase in cash and cash equivalents | **(3,333)** | 7,112 | (79,189) |
| Cash and cash equivalents at beginning of year | **49,341** | 42,229 | 121,418 |
| **Cash and cash equivalents at end of year** | **46,008** | 49,341 | 42,229 |

*Supplementary cash flow information (Note 11)*
*See Notes to the Consolidated Financial Statements.*

**Note 1. Description of business**

CGI Group Inc. (the "Company" or "CGI"), directly or through its subsidiaries, provides a full range of information technology ("IT") services including management of IT and business functions, systems integration and consulting. The Company's primary focus is large-scale systems integration and outsourcing contracts for both private and public sector organizations.

**Note 2. Summary of significant accounting policies**

*Preparation of Consolidated Financial Statements*

The Consolidated Financial Statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), which differ in certain material respects with US GAAP. Significant differences relevant to the Company are presented in Note 16.

*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 and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

*Principles of consolidation*

The financial statements of entities controlled by the Company are consolidated; entities jointly controlled by the Company, referred to as joint ventures, are accounted for using the proportionate consolidation method; the associated company, which the Company had the ability to significantly influence, was accounted for using the equity method.

*Revenue recognition and work in progress*

The Company provides professional services under level-of-effort, cost-based and fixed-price contracts. Under level-of-effort contracts, revenue is recorded as services are provided. For cost-based contracts, revenue is recorded as reimbursable costs are incurred. Revenue from fixed-price contracts is recorded using the percentage-of-completion method, whereby revenue and profit are based on a ratio of costs incurred to total estimated costs of the project. Work in progress is valued at estimated net realizable value. Deferred revenue principally represents billings to customers in excess of work in progress. Losses, if any, on long-term contracts are recognized during the period they are determined.

Revenue from the sale of software licences is recognized when the product is delivered to the client and when no significant vendor obligations remain and the collection of the receivable is reasonably assured. Where license agreements include multiple elements, revenue from sale of licenses is recognized on the same basis provided the services do not include significant customization or modification of the base product and the payment terms for licenses are not subject to acceptance criteria.
If an acceptance period is stipulated, revenue is recognized upon the earlier of client acceptance or expiration of the acceptance period. Revenue from software maintenance and support agreements is recognized on a straight-line basis over the term of the related agreements.

*Cash and cash equivalents*

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

*Depreciation and amortization*

Fixed assets are recorded at cost and are depreciated and amortized over their estimated useful lives, using principally the straight-line method. The annual depreciation and amortization periods by fixed asset category are as follows:

| | |
|---|---|
| Buildings | 10 to 40 years |
| Leasehold improvements | Term of lease plus first renewal option |
| Furniture and fixtures | 3 to 10 years |
| Computer equipment | 3 to 5 years |
| Software | 1 to 5 years |

**Note 2. Summary of significant accounting policies (cont'd)**

*Contract costs and other long-term assets*

Contract costs and other long-term assets include contract costs, costs of software acquired and developed as well as costs of software licences and other.

Contract costs are incurred in the course of IT management contracts obtained by the Company for periods varying from two to 10 years. These expenses are recorded at cost and amortized using the straight-line method over the term of the respective contracts. Contract costs principally comprise the following:

a) Value assigned to a specific long-term outsourcing contract entered into by an acquired company;
b) Integration costs incurred on large outsourcing contracts as well as incentives granted to clients upon the signature of long-term outsourcing contracts. The unamortized remaining balance would be refundable upon early termination of contracts, if any.

Costs of software acquired and developed include software specifically designed or acquired to provide long-term outsourcing contracts to clients or groups of clients. Costs of software developed are capitalized only after technological feasibility is established. Costs of software acquired and developed are recorded at cost and amortized on a straight-line basis over their respective estimated useful lives.

*Goodwill*

Goodwill represents the excess of the purchase price over the fair values of the net assets of entities acquired at the respective dates of acquisition. Goodwill is amortized on a straight-line basis over its expected useful life of 20 years.

For business combinations recorded after June 30, 2001, the Company did not amortize the resulting goodwill created, consistent with transition recommendations of the Canadian Institute of Chartered Accountants ("CICA") contained in Handbook Sections 1581, *Business Combinations*, and 3062, *Goodwill and Other Intangible Assets*. In addition, see "Future accounting changes", discussed below.

*Impairment of long-lived assets*

The Company evaluates the carrying value of its long-lived assets, including goodwill, on an ongoing basis. In order to determine whether an impairment exists, management considers the undiscounted cash flows estimated to be generated by those assets as well as other indicators. Any permanent impairment in the carrying value of assets is charged against earnings in the period an impairment is determined. See "Future accounting changes", discussed below, relating to goodwill and other intangible assets.

*Deferred credits*

Deferred credits principally comprise the unused portion of discounts granted by the Company to customers under long-term outsourcing contracts.

*Stock option plan*

The Company has a stock option compensation plan, which is described in Note 7. No compensation expense is recognized for this plan when stock options are granted to employees and directors. Any consideration paid by employees and directors on exercise of stock options is credited to share capital.

In connection with a business acquisition where outstanding stock options of the acquiree became options to acquire CGI Class A subordinate shares, the Company recorded $16,519,000 as capital stock representing the fair value of outstanding vested stock options of the acquiree at the acquisition date (see Notes 7 and 9).

*Research*

Research expenses are charged to earnings in the year they are incurred, net of related investment tax credits.

*Income taxes*

On October 1, 1999, the Company adopted the recommendations of CICA Handbook Section 3465, *Income taxes*, which replaced the deferral method with the liability method of tax allocation. The Company applied the recommendations retroactively without restating prior years.

Future income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)

The change had the following cumulative effect on the October 1, 1999 accounts:

| | Increase | Decrease |
|---|---|---|
| | $ | $ |
| Retained earnings | | 11,590 |
| Goodwill | | 16,869 |
| Current future income tax assets | 9,060 | |
| Long-term future income tax assets | 4,722 | |
| Current future income tax liabilities | 15 | |
| Long-term future income tax liabilities | 8,488 | |

*Translation of foreign currencies*

Accordingly, self-sustaining subsidiaries are accounted for using the current-rate method. Assets and liabilities denominated in a foreign currency are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at average exchange rates prevailing during the year. Resulting unrealized gains or losses are accumulated and reported as translation adjustments in shareholders' equity.

The accounts of foreign subsidiaries, which are financially or operationally dependent on the parent 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 dates 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.

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 dates. Other unrealized translation gains and losses are reflected in net earnings.

*Earnings per share*

The Company adopted the recommendations of CICA Handbook Section 3500, *Earnings per Share* ("EPS"), effective October 1, 2000. The revised section requires the use of the treasury stock method to compute the dilutive effect of potential common shares. Basic and diluted EPS figures for each of the years presented are computed using the treasury stock method.

*Future accounting changes*

The CICA recently issued Handbook Sections 1581, *Business Combinations*, and 3062, *Goodwill and Other Intangible Assets*. Effective July 1, 2001, the standards require that all business combinations be accounted for using the purchase method. Additionally, effective January 1, 2002, goodwill and intangible assets with an indefinite life will no longer be amortized to earnings and will be assessed for impairment on an annual basis in accordance with the new standards, including a transitional impairment test whereby any resulting impairment will be charged to opening retained earnings. The Company will adopt these sections effective October 1, 2001. The Company is currently evaluating the impact of the adoption of the new standards, including the transitional impairment test, and therefore has not yet assessed their effect on the Company's future consolidated net earnings and financial position.

### Note 3. Accounts receivable

| | **2001** | 2000 |
|---|---|---|
| | **$** | $ |
| Trade | **257,669** | 202,108 |
| Other [1] | **62,998** | 16,830 |
| | **320,667** | 218,938 |

*(1) Other accounts receivable include refundable tax credits on salaries, calculated at the rate of 25% on salaries paid in Quebec, for a maximum of $10,000 a year per eligible employee. The Company became eligible to receive these tax credits starting May 11, 2000, upon its commitment to relocate to the E-Commerce Place. Accordingly, other accounts receivable, as at September 30, 2001 and 2000, include, respectively, approximately $32,513,000 and $7,800,000 in refundable tax credits on salaries. Should the Company fail to relocate or meet other significant obligations required under the current tax credits on salaries program, any tax credits received would have to be refunded to the Quebec government. Any refund made by the Company would be charged to earnings in the corresponding period.*

*Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)*

## Note 4. Fixed assets

| | | | **2001** |
|---|---|---|---|
| | Cost | Accumulated depreciation and amortization | Net book value |
| | $ | $ | $ |
| Land | **4,191** | **–** | **4,191** |
| Buildings | **23,397** | **167** | **23,230** |
| Leasehold improvements | **30,572** | **6,033** | **24,539** |
| Furniture and fixtures | **30,411** | **12,884** | **17,527** |
| Computer equipment | **112,276** | **70,140** | **42,136** |
| Software | **24,496** | **12,728** | **11,768** |
| | **225,343** | **101,952** | **123,391** |

| | | | 2000 |
|---|---|---|---|
| | Cost | Accumulated depreciation and amortization | Net book value |
| | $ | $ | $ |
| Leasehold improvements | 25,887 | 5,917 | 19,970 |
| Furniture and fixtures | 24,260 | 11,569 | 12,691 |
| Computer equipment | 72,886 | 52,002 | 20,884 |
| Software | 15,516 | 10,161 | 5,355 |
| | 138,549 | 79,649 | 58,900 |

Fixed assets include assets acquired under capital leases totalling $11,368,000 ($10,549,000 in 2000), net of accumulated depreciation and amortization of $27,301,000 ($7,981,000 in 2000).

## Note 5. Contract costs and other long-term assets

| | | | **2001** |
|---|---|---|---|
| | Cost | Accumulated amortization | Net book value |
| | $ | $ | $ |
| Contract costs | **205,195** | **23,152** | **182,043** |
| Software acquired and developed | **65,988** | **11,484** | **54,504** |
| Software licences and other | **74,094** | **38,238** | **35,856** |
| | **345,277** | **72,874** | **272,403** |

| | | | 2000 |
|---|---|---|---|
| | Cost | Accumulated amortization | Net book value |
| | $ | $ | $ |
| Contract costs | 58,719 | 5,414 | 53,305 |
| Software acquired and developed | 42,540 | 7,855 | 34,685 |
| Software licences and other | 34,988 | 29,262 | 5,726 |
| | 136,247 | 42,531 | 93,716 |

*Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)*

**Note 6. Long-term debt**

| | **2001** | 2000 |
|---|---|---|
| | $ | $ |
| Unsecured revolving credit facility, bearing interest at bankers' acceptance rate plus 0.375% with no principal payments before 2005 [(1)] | **25,000** | 30,000 |
| Obligations under capital leases, bearing interest at various interest rates varying from 5.7% to 14.7% and repayable in blended monthly instalments maturing at various dates until 2006 | **14,901** | 12,777 |
| Other secured and unsecured loans, without interest, repayable in 2002 | **379** | 637 |
| | **40,280** | 43,414 |
| Current portion | **7,528** | 5,770 |
| | **32,752** | 37,644 |

*(1) An amount of $199,050,000 is available under the terms of this unsecured revolving credit facility. In addition to this revolving credit facility, the Company also has available lines of credit totalling $28,750,000 under which approximately $2,550,000 have been used to cover letters of credit issued for contracts with major outsourcing and systems integration clients.*

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

| | |
|---|---|
| | $ |
| 2002 | 379 |
| 2003 | – |
| 2004 | – |
| 2005 | 25,000 |
| 2006 | – |

Minimum capital lease payments are as follows:

| | Payment | Interest | Principal |
|---|---|---|---|
| | $ | $ | $ |
| 2002 | 8,107 | 958 | 7,149 |
| 2003 | 4,280 | 503 | 3,777 |
| 2004 | 3,341 | 169 | 3,172 |
| 2005 | 795 | 53 | 742 |
| 2006 | 75 | 14 | 61 |
| Total minimum capital lease payments | 16,598 | 1,697 | 14,901 |

*Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)*

**Note 7. 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 10 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.

| | | **2001** | 2000 |
|---|---|---|---|
| | | $ | $ |
| Issued and paid | | | |
| 327,032,717 | Class A subordinate shares (240,755,667 in 2000) | **1,159,337** | 490,645 |
| 40,799,774 | Class B shares (34,846,526 in 2000) | **54,205** | 1,162 |
| | | **1,213,542** | 491,807 |

For 2001, 2000 and 1999 and after giving retroactive effect to the subdivision of the Company's shares that occurred on January 7, 2000, the Class A subordinate shares, Class B shares and first preferred shares changed as follows:

| | Class A subordinate shares | | Class B shares | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| | | $ | | $ |
| Balance at September 30, 1999 | 232,097,696 | 418,624 | 34,773,652 | 148 |
| Options exercised | 1,790,278 | 4,992 | – | – |
| Balance at September 30, 1999 | 233,887,974 | 423,616 | 34,773,652 | 148 |
| Issued for cash | 287,914 | 4,003 | – | – |
| Issued as consideration for business acquisitions (Note 9) | 5,626,369 | 57,112 | – | – |
| Options exercised | 953,410 | 5,914 | 72,874 | 1,014 |
| Balance at September 30, 2000 | 240,755,667 | 490,645 | 34,846,526 | 1,162 |
| Issued for cash | – | – | 5,953,248 | 53,043 |
| Issued as consideration for business acquisitions (Note 9) | 85,835,178 | 651,010 | – | – |
| Fair value of outstanding vested stock options issued as consideration for business acquisition (Notes 2 and 9) | – | 16,519 | – | – |
| Options exercised | 441,872 | 1,163 | – | – |
| Balance at September 30, 2001 | **327,032,717** | **1,159,337** | **40,799,774** | **54,205** |

*Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)*

*Stock option plan*

Under a Stock option plan for certain employees and directors of the Company and its subsidiaries, the Board of Directors may grant, at its discretion, options to purchase company stock to certain employees and directors of the Company and its subsidiaries. The exercise price is established by the Board of Directors but may not be lower than the average closing price for Class A shares over the five business days preceding the date of the grant. Options generally vest one to three years from the date of grant and must be exercised within a 10-year period, except in the event of retirement, termination of employment or death. Options for 36,709,965 Class A subordinate shares have been reserved for issuance under the stock option plan.

The following table presents information concerning all stock options granted to certain employees and directors by the Company for the years ended September 30:

| | | **2001** | | 2000 | | 1999 |
|---|---|---|---|---|---|---|
| | 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 | **6,413,181** | **11.46** | 4,996,414 | 8.23 | 5,497,696 | 4.85 |
| Granted | **11,705,381** | **8.89** | 2,565,594 | 15.93 | 1,415,980 | 14.65 |
| Granted as consideration for business acquisition (Note 9) | **8,424,502** | **12.27** | – | – | – | – |
| Exercised | **(441,872)** | **2.63** | (1,026,284) | 6.75 | (1,790,278) | 2.79 |
| Forfeited and expired | **(815,889)** | **13.90** | (122,543) | 13.21 | (126,984) | 9.91 |
| Outstanding, end of year | **25,285,303** | **10.61** | 6,413,181 | 11.46 | 4,996,414 | 8.23 |

The following table summarizes information about outstanding stock options granted to certain employees and directors of the Company at September 30, 2001:

| | | Options outstanding | | Options exercisable | |
|---|---|---|---|---|---|
| Range of exercise price | Number outstanding | Weighted average remaining contractual life (years) | Weighted average exercise price | Number exercisable | Weighted average exercise price |
| $ | | | $ | | $ |
| 0.05 to 2.97 | 707,941 | 3 | 1.42 | 704,747 | 1.41 |
| 3.15 to 5.75 | 2,596,269 | 5 | 4.49 | 1,631,840 | 5.22 |
| 5.87 to 8.99 | 10,340,369 | 10 | 8.50 | 604,471 | 6.71 |
| 9.03 to 13.59 | 6,179,529 | 8 | 10.59 | 1,839,806 | 11.32 |
| 14.00 to 16.86 | 3,031,794 | 8 | 15.71 | 1,905,645 | 15.57 |
| 17.30 to 23.90 | 1,916,733 | 7 | 19.70 | 1,077,192 | 19.57 |
| 24.51 to 29.16 | 127,216 | 8 | 27.98 | 46,834 | 27.38 |
| 31.38 to 36.73 | 385,452 | 7 | 34.71 | 327,467 | 35.30 |
| | **25,285,303** | **7** | **10.61** | **8,138,002** | **12.04** |

*Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)*

**Note 7. Capital stock (cont'd)**

*Warrants*

In connection with the signing of a strategic outsourcing contract and of a business acquisition (see Note 9), the Company granted warrants entitling the holders to subscribe to up to 5,118,210 Class A subordinate shares. The exercise prices were determined using the average closing price for Class A subordinate shares at a date and for a number of days around the respective transaction dates. The warrants vest upon signature of the contracts or date of business acquisition and have an exercise period of five years. As at September 30, 2001, there were 5,118,210 warrants issued and outstanding, 4,000,000 of which are exercisable at a price of $6.55 per share and expire April 30, 2006 and the remaining 1,118,210 are exercisable at a price of $8.88 per share expiring June 13, 2006. These warrants have a total fair value of $19,655,000. The fair values of the warrants were estimated at their respective grant dates using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.9%, dividend yield of 0.0%, expected volatility of 57.7% and expected life of five years.

*Earnings per share*

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

| | **2001** | 2000 | 1999 |
|---|---|---|---|
| | $ | $ | $ |
| Numerator: | | | |
| Net earnings | **62,789** | 55,666 | 83,816 |
| Denominator: | | | |
| Denominator for basic earnings per share – weighted average shares | **299,500,350** | 270,442,354 | 267,969,082 |
| Dilutive effect of employee stock options | **1,287,291** | 2,317,858 | 1,127,202 |
| Dilutive effect of warrants | **319,545** | – | – |
| Denominator for diluted earnings per share – weighted average shares and assumed conversions | **301,107,186** | 272,760,212 | 269,096,284 |
| Basic earnings per share | **0.21** | 0.21 | 0.31 |
| Diluted earnings per share | **0.21** | 0.20 | 0.31 |

**Note 8. Income taxes**

As described in Note 2, the Company adopted the recommendations of CICA Handbook Section 3465, *Income Taxes*, effective October 1, 1999 and prior year figures have not been restated. The terminology used to describe comparative figures is consistent with the terminology used to describe current year figures calculated using the liability method of tax allocation.

The income tax provision for the years ended September 30, is as follows:

| | **2001** | 2000 | 1999 |
|---|---|---|---|
| | $ | $ | $ |
| Current | **38,244** | 46,494 | 57,085 |
| Future (1) | **33,921** | 3,491 | 12,858 |
| | **72,165** | 49,985 | 69,943 |

*(1) Includes $1,451,000 ($1,277,000 in 2000 and $494,000 in 1999) of future income taxes related to goodwill amortization.*

*Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)*

The Company's effective income tax rate differs from the combined Canadian statutory tax rate for the years ended September 30, for the following reasons:

| | **2001** | 2000 | 1999 |
|---|---|---|---|
| | % | % | % |
| Combined federal and provincial statutory tax rates | **38.6** | 40.6 | 41.9 |
| Non-deductible items | **8.6** | 7.3 | 5.1 |
| Utilization of non-recognized tax benefits of a subsidiary | **–** | – | (1.1) |
| Valuation allowance relating to tax benefits on losses | **7.8** | – | – |
| Other | **(2.0)** | (1.1) | (0.6) |
| Effective income tax rate after goodwill amortization | **53.0** | 46.8 | 45.3 |
| Goodwill amortization | **(8.5)** | (6.3) | (4.1) |
| Effective income tax rate before goodwill amortization | **44.5** | 40.5 | 41.2 |

Future income taxes at September 30, are as follows:

| | **2001** | 2000 |
|---|---|---|
| | $ | $ |
| Future income tax assets: | | |
| Provision for integration costs | **26,093** | 10,415 |
| Tax benefits on losses carried forward | **97,415** | 23,654 |
| Accrued compensation | **7,107** | – |
| Fixed assets | **6,739** | – |
| Unclaimed research and experimental development expenses | **–** | 2,041 |
| Allowance for doubtful accounts | **3,507** | – |
| Other | **3,742** | 1,201 |
| | **144,603** | 37,311 |
| Future income tax liabilities: | | |
| Fixed assets | **–** | 1,958 |
| Contract costs and other long-term assets | **35,336** | 21,550 |
| Work in progress | **6,716** | 7,190 |
| Goodwill | **5,467** | 1,049 |
| Refundable tax credits on salaries | **8,997** | – |
| Other | **8,202** | 145 |
| | **64,718** | 31,892 |
| Valuation allowance | **93,820** | 5,789 |
| Future income taxes, net | **(13,935)** | (370) |
| Future income taxes are classified as follows: | | |
| Current future income tax assets | **17,998** | 7,052 |
| Long-term future income tax assets | **32,785** | 24,470 |
| Current future income tax liabilities | **(21,013)** | (7,963) |
| Long-term future income tax liabilities | **(43,705)** | (23,929) |
| Future income tax liabilities, net | **(13,935)** | (370) |

Certain of the Company's subsidiaries have losses carried forward aggregating approximately $300,000,000, of which approximately $262,000,000 (US$167,000,000) originates from the Company's US subsidiaries, available to reduce future taxable income and expiring at various dates to 2021. The benefit of these losses has been reflected in the Consolidated Financial Statements to the extent that it was considered to be more likely than not that the related future income tax assets would be realized.

**Note 9. Business acquisitions**

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

During 2001, the Company made the following acquisitions:

> *C.U. Processing Inc. ("CUP")*–On October 4, 2000, the Company acquired all the outstanding shares of CUP, a Detroit-based provider of information management systems primarily to US credit unions;

> *AGTI Consulting Services Inc. ("AGTI")*–On November 27, 2000, the Company acquired 49.0% of all outstanding shares of AGTI, a Montreal-based IT consulting firm. The Company accounts for its 49.0% interest in AGTI using the proportionate consolidation method;

> *RSI Realtime Consulting Inc. ("RSI")*–On December 12, 2000, the Company acquired all the outstanding shares of RSI, a Toronto-based SAP implementation specialist;

> *Groupe-conseil CDL Inc. ("CDL")*–On January 4, 2001, the Company acquired all outstanding shares of CDL, a Montreal-based IT consulting firm in J.D. Edwards enterprise resource planning solutions;

> *Star Data Systems Inc. ("Star Data")*–On January 9, 2001, the Company acquired all the outstanding common shares of Star Data on the basis of 0.737 Class A subordinate shares of the Company for each Star Data common share. Star Data is a Canadian-based provider of IT services and solutions to the financial services industry;

> *Conseillers en informatique d'affaires ("CIA")*–On January 12, 2001, the Company increased its interest in CIA from 35.0% to 49.0% and began using the proportionate consolidation method to account for its investment: prior to January 12, 2001, the Company used the equity method to account for this investment. CIA is a provider of IT services primarily in the government and financial sectors;

> *Nter Technologies, Limited Partnership ("Nter")*–On February 1, 2001, the Company entered into a partnership with Loto-Québec, which involved the creation of Nter, an IT consulting firm, and the acquisition of a 49.9% interest in Nter. The Company accounts for this interest using the proportionate consolidation method;

> *Assets and liabilities of Confédération des caisses populaires et d'économie Desjardins du Québec used in data and micro-computing of Mouvement des caisses Desjardins ("Desjardins") operations*–On May 1, 2001, the Company signed a strategic alliance for the management of data and micro-computing of Desjardins operations. In the context of this agreement, the Company acquired the related assets, certain intellectual property rights and assumed liabilities of Confédération des caisses populaires et d'économie Desjardins du Québec used in data and micro-computing of Desjardins. In addition, approximately 450 Desjardins employees were transferred to the Company;

> *CyberBranch Corporation ("CyberBranch")*–On May 31, 2001, the Company acquired CyberBranch, a subsidiary of Stanford Federal Credit Union of California. CyberBranch is an Internet and intranet provider of leading-edge technology to credit unions across North America;

> *Larochelle Gratton*–On July 1, 2001, the Company acquired all outstanding shares of Larochelle Gratton, a Quebec-based provider of a range of systems integration services to leading client organizations, including areas such as e-commerce and the Internet. As described in Note 2, goodwill resulting from this acquisition is not amortized;

> *IMRglobal Corp. ("IMRglobal" or "IMR")*–On July 27, 2001, the Company merged with IMRglobal, a US-based leading global provider of end-to-end IT solutions, acquiring all the outstanding common stock of IMRglobal on the basis of 1.5974 Class A subordinate share of the Company for each share of IMRglobal common stock. In addition, each outstanding IMRglobal stock option as of that date became a 1.5974 stock option to acquire a Class A subordinate share of the Company. The purchase price allocation shown below is preliminary and is based on the Company's estimates assisted by external advisors. The final allocation is expected to be completed within twelve months from the acquisition date and may result in the purchase price being allocated to other identified intangible assets besides goodwill which will be amortized over their respective estimated useful lives. As described in Note 2, goodwill resulting from this acquisition is not amortized.

*Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)*

Non-cash working capital items acquired, reflected below, include costs totalling $68,000,000 of acquisition and integration liabilities incurred by the Company for professional fees and costs to exit and consolidate certain of IMRglobal activities. The components of the acquisition and integration liabilities assumed and included in the preliminary allocation of the purchase price to the net assets acquired are as follows:

| | Acquisition and integration liabilities | Paid as at September 30, 2001 | Balance remaining as at September 30, 2001 |
|---|---|---|---|
| | $ | $ | $ |
| Professional fees | 17,347 | 14,513 | 2,834 |
| Consolidation and closure of facilities | 14,000 | 1,554 | 12,446 |
| Severance | 12,000 | 300 | 11,700 |
| Support structure | 20,810 | 573 | 20,237 |
| Other | 3,843 | 2,188 | 1,655 |
| | 68,000 | 19,128 | 48,872 |

> *LoyalTech*–On August 7, 2001, the Company acquired all outstanding shares of LoyalTech, a Portugal-based consultant and integrator specialist in customer relationship management solutions and e-business strategies. As described in Note 2, goodwill resulting from this acquisition is not amortized;

> *Digital 4Sight*–On August 27, 2001, the Company signed a joint venture agreement with former Digital 4Sight owners, which involved the creation of a new management strategy and research firm. The Company accounts for its 51.0% interest in Digital 4Sight using the proportionate consolidation method. As described in Note 2, goodwill resulting from this acquisition is not amortized;

> *EPC Services Conseils Inc. ("EPC")*–On September 10, 2001, the Company acquired all outstanding shares of EPC, a Quebec-based consulting firm. As described in Note 2, goodwill resulting from this acquisition is not amortized.

*Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)*

**Note 9. Business acquisitions (cont'd)**

These acquisitions were accounted for using the purchase method, as follows:

| Net assets acquired | IMR | Star Data | Desjardins | AGTI | CUP | Other | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Non-cash working capital items | (62,558) | (18,391) | 21,381 | 2,216 | (12,061) | (471) | **(69,884)** |
| Fixed assets | 42,095 | 21,211 | 3,612 | 448 | 3,296 | 2,135 | **72,797** |
| Contract costs and other long-term assets | 22,346 | 9,203 | 111,986 | – | 447 | 11 | **143,993** |
| Future income taxes | 7,537 | 15,716 | (6,685) | 10 | 4,228 | 1,139 | **21,945** |
| Goodwill | 578,525 | 73,060 | 9,549 | 14,602 | 41,601 | 27,588 | **744,925** |
| Long-term debt | (53,988) | (10,799) | – | – | (812) | (1,759) | **(67,358)** |
| Deferred credits | (7,609) | – | (67,627) | – | – | – | **(75,236)** |
| | 526,348 | 90,000 | 72,216 | 17,276 | 36,699 | 28,643 | **771,182** |
| Cash position at acquisition | 26,485 | 12,820 | – | 7,639 | 1,837 | 4,062 | **52,843** |
| | 552,833 | 102,820 | 72,216 | 24,915 | 38,536 | 32,705 | **824,025** |
| Consideration | | | | | | | |
| Cash | – | – | 57,945 | 24,915 | 38,536 | 19,561 | **140,957** |
| Issuance of 85,835,178 Class A subordinate shares (Note 7) | 536,314 | 102,820 | – | – | – | 11,876 | **651,010** |
| Issuance of 8,424,502 stock options to acquire Class A subordinate shares (Notes 2 and 7) | 16,519 | – | – | – | – | – | **16,519** |
| 4,000,000 warrants at fair value (Note 7) | – | – | 14,271 | – | – | – | **14,271** |
| Equity value of CIA investment at acquisition date | – | – | – | – | – | 1,268 | **1,268** |
| | 552,833 | 102,820 | 72,216 | 24,915 | 38,536 | 32,705 | **824,025** |

In addition, during 2001, the Company modified the initial purchase price allocation of APG Solutions & Technologies Inc. ("APG"), acquired in 2000, following the conclusion of pending arbitration at the acquisition date, which resulted in a reduction of the consideration paid and the corresponding value of net assets acquired of approximately $1,721,000.

During 2000, the Company made the following acquisitions:

> *MCM Technology Inc. ("MCM")*–On October 26, 1999, the Company acquired all the outstanding shares of MCM, an information technology consulting firm serving clients mainly in the healthcare and telecommunications industries;

> *APG*–On September 1, 2000, the Company acquired all the outstanding shares of APG, an information technology consulting firm specializing in the implementation of enterprise resource planning solutions, system evolution, electronic commerce and knowledge management.

Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)

These acquisitions, including the fiscal 2001 modification relating to APG described above, were accounted for using the purchase method, as follows:

| Net assets acquired | MCM | APG | Total |
|---|---|---|---|
| | $ | $ | $ |
| Non-cash working capital items | (1,208) | (8,336) | (9,544) |
| Fixed assets | 872 | 2,089 | 2,961 |
| Contract costs and other long-term assets | – | 64 | 64 |
| Future income taxes | 363 | 9,678 | 10,041 |
| Goodwill | 8,925 | 63,749 | 72,674 |
| Long-term debt | (635) | (1,775) | (2,410) |
| | 8,317 | 65,469 | 73,786 |
| Cash position at acquisition | 1,008 | (7,162) | (6,154) |
| | 9,325 | 58,307 | 67,632 |
| Consideration | | | |
| Cash | 2,900 | 7,620 | 10,520 |
| Issuance of 5,626,369 Class A subordinate shares (Note 7) | 6,425 | 50,687 | 57,112 |
| | 9,325 | 58,307 | 67,632 |

During 1999, the Company made the following acquisitions:

> *9061-9313 Quebec Inc.*–On January 1, 1999, the Company acquired all the outstanding shares of 9061-9313 Quebec Inc., a corporation incorporated by Desjardins and into which the assets of Technologie Desjardins Laurentienne ("TDL") were transferred;

> *DRT Systems International and DRT Systems International L.P. (*jointly*, "DRT")*–On July 1, 1999, the Company acquired substantially all of the assets related to the businesses of DRT.

These acquisitions were accounted for using the purchase method, as follows:

| Net assets acquired | TDL | DRT | Total |
|---|---|---|---|
| | $ | $ | $ |
| Non-cash working capital items | 1,072 | 23,952 | 25,024 |
| Fixed assets | 2,516 | 3,207 | 5,723 |
| Contract costs and other long-term assets | 1,053 | – | 1,053 |
| Goodwill | 18,541 | 68,765 | 87,306 |
| | 23,182 | 95,924 | 119,106 |
| Cash consideration | 23,182 | 95,924 | 119,106 |

*Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)*

**Note 10. Investments in joint ventures**

The Company's proportionate share of its joint venture investees' operations included in the Consolidated Financial Statements is as follows:

As at and for the years ended September 30

| | **2001** | 2000 |
|---|---|---|
| | $ | $ |
| **Balance Sheet** | | |
| Current assets | **18,370** | 1,347 |
| Non-current assets | **21,967** | 192 |
| Current liabilities | **4,275** | 1,335 |
| Non-current liabilities | **45** | – |
| **Statement of earnings** | | |
| Revenue | **35,057** | 10,814 |
| Expenses | **34,339** | 10,312 |
| Net earnings | **718** | 502 |
| **Statement of cash flows** | | |
| Funds provided by: | | |
| Operating activities | **1,572** | 502 |
| Financing activities | **–** | 234 |
| Investing activities | **(2,220)** | – |

**Note 11. Supplementary cash flow information**

i) Non-cash operating, investing and financing activities:

| | **2001** | 2000 | 1999 |
|---|---|---|---|
| | $ | $ | $ |
| Operating activities | | | |
| Deferred credits | **14,000** | – | – |
| Future income taxes | **3,029** | – | – |
| | **17,029** | – | – |
| Investing activities | | | |
| Business acquisitions | **681,800** | 57,112 | – |
| Purchase of assets under capital leases | **–** | 2,882 | 11,943 |
| Contract costs and other long-term assets | **22,413** | – | – |
| | **704,213** | 59,994 | 11,943 |
| Financing activities | | | |
| Issuance of capital stock and stock options | **667,529** | 57,112 | – |
| Issuance of warrants | **19,655** | – | – |
| Increase in obligations under capital leases | **–** | 2,882 | 11,943 |
| | **687,184** | 59,994 | 11,943 |

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

| | **2001** | 2000 | 1999 |
|---|---|---|---|
| | $ | $ | $ |
| Interest paid | **4,592** | 3,754 | 1,509 |
| Income taxes paid | **41,615** | 67,154 | 73,303 |

*Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)*

**Note 12. Segmented information**

The Company has three strategic business units ("SBU"), organized on the basis of geographic areas: Canada, US and International. The Company evaluates each SBU's performance primarily based on its revenue, operating earnings and net contribution (the latter being defined as earnings before interest, income taxes, entity subject to significant influence and amortization of goodwill) by its respective senior executive, who reports directly to the Chief Executive Officer.

Each segment, with the exception of the corporate segment, offers end-to-end IT services including management of IT and business functions, systems integration and consulting services to clients in industry sectors such as telecommunications, financial services and manufacturing/retail/distribution. The corporate segment comprises management of cash and cash equivalents and general corporate activities such as strategy and market development, coordination of large projects and capital investment decisions. Costs which have not been allocated to the other segments are included in this segment as they represent common costs and general head office expenses; the allocation of these costs to the other segments would not assist in the evaluation of the respective segments' contributions.

Effective October 1, 2001, the Company will change its organizational structure. The Company will have three SBUs organized according to the following breakdown: Canada and Europe, US and Asia Pacific, and Business Process Services. As of that date, the Company will begin to evaluate SBU performance under this structure and will report segmented information on that basis. Segmented information presented below is on the basis of the organizational structure in place as at September 30, 2001.

| | | | | | | **2001** |
|---|---|---|---|---|---|---|
| | Canada | US | International | Corporate | Intersegment elimination | Total |
| | $ | $ | $ | $ | $ | $ |
| Revenue | 1,300,258 | 232,655 | 86,850 | – | (38,448) | **1,581,315** |
| Operating expenses | 1,031,041 | 235,587 | 89,110 | 34,405 | (38,448) | **1,351,695** |
| Operating earnings before: | 269,217 | (2,932) | (2,260) | (34,405) | – | **229,620** |
| Depreciation and amortization | 58,585 | 4,072 | 2,133 | 1,206 | – | **65,996** |
| Earnings before interest, income taxes, entity subject to significant influence and amortization of goodwill | 210,632 | (7,004) | (4,393) | (35,611) | – | **163,624** |
| Total assets | 971,154 | 806,173 | 240,710 | 44,756 | – | **2,062,793** |

| | | | | | | 2000 |
|---|---|---|---|---|---|---|
| | Canada | US | International | Corporate | Intersegment elimination | Total |
| | $ | $ | $ | $ | $ | $ |
| Revenue | 1,127,715 | 215,442 | 179,531 | – | (86,680) | 1,436,008 |
| Operating expenses | 943,612 | 207,104 | 165,543 | 34,732 | (86,680) | 1,264,311 |
| Operating earnings before: | 184,103 | 8,338 | 13,988 | (34,732) | – | 171,697 |
| Depreciation and amortization | 41,023 | 4,009 | 2,046 | 1,300 | – | 48,378 |
| Earnings before interest, income taxes, entity subject to significant influence and amortization of goodwill | 143,080 | 4,329 | 11,942 | (36,032) | – | 123,319 |
| Total assets | 597,729 | 207,469 | 95,095 | 28,262 | – | 928,555 |

*Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)*

**Note 12. Segmented information (cont'd)**

1999

| | Canada | US | International | Corporate | Intersegment elimination | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Revenue | 1,204,719 | 140,617 | 121,179 | – | (57,057) | 1,409,458 |
| Operating expenses | 995,938 | 123,077 | 108,002 | 25,221 | (57,057) | 1,195,181 |
| Operating earnings before: | 208,781 | 17,540 | 13,177 | (25,221) | – | 214,277 |
| Depreciation and amortization | 41,991 | 3,992 | 905 | 1,403 | – | 48,291 |
| Earnings before interest, income taxes, entity subject to significant influence and amortization of goodwill | 166,790 | 13,548 | 12,272 | (26,624) | – | 165,986 |
| Total assets | 500,014 | 186,315 | 150,238 | 29,922 | – | 866,489 |

Revenue by service line:

| | **2001** | 2000 | 1999 |
|---|---|---|---|
| | $ | $ | $ |
| Management of IT and business functions (outsourcing) | **1,091,107** | 891,726 | 1,009,844 |
| Systems integration and Consulting | **490,208** | 544,282 | 399,614 |
| Total | **1,581,315** | 1,436,008 | 1,409,458 |

The Canada and International segments comprise revenue from contracts with a shareholder, its subsidiaries and its affiliated companies. Other than that group, no single client represents more than 10% of the Company's revenue (see Note 13).

**Note 13. Related party transactions**

In the normal course of business, the Company is party to contracts with certain of BCE Inc.'s (a shareholder) subsidiaries and affiliated companies, pursuant to which the Company is its preferred IT supplier.

Transactions and resulting balances, which were measured at exchange amounts, are presented below:

| | **2001** | 2000 | 1999 |
|---|---|---|---|
| | $ | $ | $ |
| Revenue | **451,344** | 572,630 | 526,696 |
| Purchase of services | **78,495** | 114,062 | 110,009 |
| Accounts receivable | **37,549** | 53,235 | 11,961 |
| Accounts payable | **4,828** | 12,645 | 20,960 |
| Work in progress | **16,389** | 12,072 | 38,561 |
| Deferred revenue | **24,010** | 11,998 | 5,912 |
| Contract costs and other long-term assets | **22,750** | 25,711 | 31,200 |

*Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)*

**Note 14. Commitments and contingencies**

At September 30, 2001, the Company is committed under the terms of operating leases with various expiration dates, primarily for rental of premises and computer equipment used in outsourcing contracts, in the aggregate amount of approximately $668,586,000.

Minimum lease payments due in each of the next five years are as follows:

| | $ |
|---|---|
| 2002 | 86,225 |
| 2003 | 79,046 |
| 2004 | 69,288 |
| 2005 | 52,093 |
| 2006 | 44,002 |

The Company concluded four long-term service agreements representing a total commitment of $49,317,000. Minimum payments under these agreements due in each of the next five years are as follows:

| | $ |
|---|---|
| 2002 | 25,537 |
| 2003 | 20,755 |
| 2004 | 5,477 |
| 2005 | 622 |
| 2006 | – |

**Note 15. Financial instruments**

*Fair value*

At September 30, 2001 and 2000, the estimated fair values of cash and cash equivalents, accounts receivable, work in progress and accounts payable and accrued liabilities approximate their respective carrying values.

The estimated fair values of long-term debt and obligations under capital leases are not significantly different from their respective carrying values at September 30, 2001 and 2000.

The Company does not hold or issue financial instruments for trading purposes.

*Credit risk*

Credit risk concentration with respect to trade receivables is limited due to the Company's large client base. Furthermore, as described in Note 13, the Company generates a significant portion of its revenue from a shareholder's subsidiaries and affiliates. Management does not believe that the Company is subject to any significant credit risk.

*Currency risk*

The Company operates internationally and is exposed to market risks from changes in foreign currency rates. The Company does not trade derivative financial instruments.

*Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)*

**Note 16. Reconciliation of results reported in accordance with Canadian GAAP to US GAAP**

The material differences between Canadian and US GAAP affecting the Company's Consolidated Financial Statements are detailed as follows:

| Reconciliation of net earnings | **2001** | 2000 | 1999 |
|---|---|---|---|
| | **$** | $ | $ |
| Net earnings–Canadian GAAP | **62,789** | 55,666 | 83,816 |
| Adjustments | | | |
| Foreign currency translation (ii) | **523** | 462 | 389 |
| Goodwill (iii) | **(500)** | (500) | (142) |
| Integration costs (iv) | **(4,842)** | (1,764) | – |
| Income taxes (i) | **–** | – | 550 |
| Research (v) | **–** | – | 2,178 |
| Purchased in-process R&D (vi) | **–** | – | (741) |
| Warrants (vii) | **(11,605)** | – | – |
| Unearned compensation (viii) | **(150)** | – | – |
| Net earnings–US GAAP | **46,215** | 53,864 | 86,050 |
| Basic EPS–US GAAP | **0.15** | 0.20 | 0.32 |
| Diluted EPS–US GAAP | **0.15** | 0.20 | 0.32 |

| Reconciliation of shareholders' equity | **2001** | 2000 | 1999 |
|---|---|---|---|
| | **$** | $ | $ |
| Shareholders' equity–Canadian GAAP | **1,481,917** | 677,301 | 563,055 |
| Adjustments | | | |
| Adjustment for change in accounting policy (i) | **9,134** | 9,134 | – |
| Foreign currency translation (ii) | **581** | 1,659 | 1,562 |
| Goodwill (iii) | **27,578** | (642) | (142) |
| Integration costs (iv) | **(6,606)** | (1,764) | – |
| Income taxes (i) | **–** | – | (2,456) |
| Warrants (vii) | **(11,605)** | – | – |
| Unearned compensation (viii) | **(3,694)** | – | – |
| Shareholders' equity–US GAAP | **1,497,305** | 685,688 | 562,019 |

(i) 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* (see Note 2). The recommendations of Section 3465 are similar to the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for 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 purchase business combination, which resulted in a future income tax liabilities; the Company recorded this amount through a reduction of retained earnings as part of the cumulative adjustment. Under US GAAP, this amount would have been reflected as additional goodwill.

Prior to the issuance of Section 3465, under Canadian GAAP, accounting for income taxes was similar to the provisions of the US Accounting Principles Board No.11. Under US GAAP, the Company would have followed the provisions of SFAS No. 109.

(ii) Translation of foreign currencies

Under Canadian GAAP, the financial statements of the Company's foreign subsidiaries, which are considered integrated operations, have been translated using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet dates 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.

Under US GAAP, SFAS No. 52, *Foreign Currency Translation,* requires companies to translate functional-currency financial statements into reporting currency using the current exchange rate method whereby the rates in effect on the balance sheet dates for assets and liabilities and the weighted average rate for statement of earnings elements are used. Any translation adjustments, resulting from the process of translating the financial statements of foreign subsidiaries into Canadian dollars, are excluded from the determination of net earnings and are reported as a separate component in shareholders' equity.

(iii) Goodwill

As described in (i) above, goodwill recorded by the Company would be greater for US GAAP purposes than for Canadian GAAP purposes. The adjustment reflects the additional goodwill amortization expense for US GAAP purposes.

The goodwill adjustment to shareholders' equity results from the difference in the value assigned to stock options issued to IMRglobal employees. Under Canadian GAAP, the fair value of outstanding vested stock options is recorded as part of the purchase allocation (see Notes 2 and 9), whereas under US GAAP, the fair value of both vested and unvested outstanding stock options granted as a result of the business acquisition is recorded. See (viii) below for a further discussion relating to this item.

(iv) 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 US GAAP, only costs relating directly to the acquired business may be considered in the purchase price allocation. The adjustment represents the charge to net earnings, net of goodwill amortization recorded for Canadian GAAP purposes and of income taxes.

(v) Research

Under US GAAP, software and development costs capitalized by a subsidiary company would have been expensed. The adjustment represents the reversal of the amortization expense, net of income taxes.

(vi) Purchased in-process research and development ("R&D")

As a result of the acquisition of a subsidiary company, an amount was allocated to software and development costs incurred by a subsidiary company prior to its acquisition. Under US GAAP, this charge would be considered as purchased in-process R&D. Purchased in-process R&D that represents products in the development stage and not considered to have reached technological feasibility at the time of the acquisition is required to be expensed. The adjustment represents the reversal of the amortization expense, net of income taxes.

(vii) 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 US GAAP, the fair value of equity instruments issued is subtracted from the initial proceeds received in determining revenue. The adjustment represents the subtraction to revenue, net of contract costs amortization recorded for Canadian GAAP purposes and net of income taxes.

*Years ended September 30, 2001, 2000 and 1999 (tabular amounts only are in thousands of Canadian dollars)*

**Note 16. Reconciliation of results reported in accordance with Canadian GAAP to US GAAP (cont'd)**

viii) Unearned compensation

Under Canadian GAAP, unvested stock options granted as a result of a business combination are not recorded. The adjustment reflects the intrinsic value of unvested stock options (see (iii) above), net of income taxes, that would have been recorded as a separate component of shareholders' equity for US GAAP purposes, relating to the IMRglobal acquisition described in Note 9. This unearned compensation is amortized over approximately three years, being the estimated remaining future vesting (service) period.

(ix) Comprehensive income

Cumulative other comprehensive income is comprised solely of foreign currency translation adjustments which result from the process of translating the financial statements of foreign subsidiaries (see (ii) above). As at September 30, 2001, 2000 and 1999, cumulative other comprehensive income amounts to $3,329,000, $2,889,000 and $3,042,000, respectively.

The following table represents comprehensive income in accordance with SFAS No. 130, *Reporting Comprehensive Income*:

| | **2001** | 2000 | 1999 |
|---|---|---|---|
| | $ | $ | $ |
| Net earnings–US GAAP | **46,215** | 53,864 | 86,050 |
| Other comprehensive income: | | | |
| Foreign currency translation adjustment, net of tax | **837** | 1,762 | 134 |
| Comprehensive income | **47,052** | 55,626 | 86,184 |

(x) Proportionate consolidation

The proportionate consolidation method is used to account for interests in joint ventures. Under US GAAP, entities in which the Company owns a majority of the share capital would be fully consolidated and those which are less than majority-owned but over which the Company exercises significant influence, would be accounted for using the equity method. This would result in reclassifications in the consolidated balance sheets and statements of earnings as at and for the years ended September 30, 2001 and 2000. However, the differences in the case of majority-owned joint ventures were not considered material and have consequently not been presented (see Note 10). In accordance with practices prescribed by the U.S. Securities and Exchange Commission, the Company has elected, for the purpose of this reconciliation, to account for interests in joint ventures using the proportionate consolidation method.

(xi) Earnings before amortization of goodwill

In Canada, the Accounting Standards Board approved an addendum to CICA Handbook Section 1580, *Business Combinations*, subsequently superceded by Section 1581, *Business Combinations*, that permits goodwill amortization expense to be presented net-of-tax on a separate line in the Consolidated Statements of Earnings. This presentation is not currently permitted under US GAAP. Under US GAAP, $29,086,000 (as adjusted for US GAAP purposes) of amortization of goodwill would have been included in operating expenses.

(xii) Depreciation and amortization

Under US GAAP, depreciation and amortization amounts would be included in operating expenses.

(xiii) Consolidated statements of cash flows

The Company's consolidated statements of cash flows for each of the years in the three-year period ended September 30, 2001 were prepared in accordance with CICA Handbook Section 1540, *Cash Flow Statements*, the provisions of which are substantially similar to those of SFAS No. 95, *Statement of Cash Flows*.

(xiv) Recent accounting pronouncements

a) In June 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 addresses the accounting and reporting of acquired goodwill and other intangible assets. SFAS No. 142 discontinues amortization of acquired goodwill and instead requires annual impairment testing of acquired goodwill. Intangible assets will be amortized over their useful economic life and tested for impairment in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*. Intangible assets with an indefinite useful economic life should not be amortized until the life of the asset is determined to be finite. The Company has adopted SFAS No. 142, effective October 1, 2001. The Company is currently evaluating the impact of SFAS No.121 on its future earnings and financial position.

Also in June 2001, the FASB issued SFAS No. 141, *Business Combinations*. SFAS No. 141 requires that all business combinations be accounted for under the purchase method and defines the criteria for identifying intangible assets for recognition apart from goodwill. SFAS No. 141 applies to all business combinations initiated after June 30, 2001 and all business combinations accounted for using the purchase method for which the acquisition date is July 1, 2001 or later. The Company adopted SFAS No. 141 effective July 1, 2001.

The provisions of SFAS No. 141 and No. 142 are substantially similar to those of Sections 1581 and 3062 of the CICA Handbook described in Note 2.

b) In August 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which retains, in general, the requirements of SFAS No. 121 and addresses significant implementation issues. The provisions of SFAS No. 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, are to be applied prospectively. Early application is encouraged. The Company does not intend to adopt the new standard early; however, it is currently evaluating the effect that implementation of the new standard will have on its results of operations and financial position.

c) Furthermore, the Company determined that the adoption of Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements*, had no material adverse effect on the business, results of operations and financial condition.

**Note 17. Comparative figures**

Certain comparative figures have been reclassified in order to conform to the presentation adopted in 2001.

**Note 18. Subsequent event**

On October 1, 2001, the Company signed a strategic outsourcing alliance providing IT support services for Fireman’s Fund Insurance Company (“Fireman”) operations. In the context of this agreement, the Company acquired the related assets and assumed liabilities of Fireman used in their IT operations for a total cash consideration of approximately $38,100,000. This transaction was accounted for using the purchase method.

# Board of Directors and Executive Management

## Board of Directors

**Serge Godin** [3]
Chairman and
Chief Executive Officer, CGI

**Yvan Allaire** [1]
Emeritus Professor of Strategy, UQAM
Chairman, Governance
Value Added Inc.

**William D. Anderson**
President, BCE Ventures Inc.

**Claude Boivin** [1]
Director of Companies

**Jean Brassard**
Vice-Chairman, CGI
and Director of Companies

**Claude Chamberland** [2]
Director of Companies

**Paule Doré**
Executive Vice-President
and Chief Corporate Officer,
and Secretary, CGI

**André Imbeau** [1]
Executive Vice-President
and Chief Financial Officer,
and Treasurer, CGI

**David L. Johnston** [2]
President and
Vice-Chancellor,
University of Waterloo

**Eileen A. Mercier** [1]
President,
Finvoy Management Inc.

**Jean C. Monty** [2]
Chairman and
Chief Executive Officer,
BCE Inc.

**C. Wesley M. Scott**
Director of Companies

**Charles Sirois**
Chairman and
Chief Executive Officer,
Telesystem Ltd.

## Executive Management

**Serge Godin**
Chairman and Chief
Executive Officer

**François Chassé**
Executive Vice-President,
Mergers and Acquisitions

**Paule Doré**
Executive Vice-President
and Chief Corporate Officer

**André Imbeau**
Executive Vice-President
and Chief Financial Officer

**André Nadeau**
Executive Vice-President
and Chief Strategy Officer

**Luc Pinard**
President, European Operations

**Michael Roach**
President, Canada
and Europe

**Daniel Rocheleau**
Executive Vice-President
and Chief Business
Engineering Officer

**Satish Sanan**
President, United States
and Asia Pacific

**Joseph I. Saliba**
President, Business
Process Services

1 Member of the Audit Committee
2 Member of the Human Resources and Corporate Governance Committee
3 Ex-officio member of the Human Resources and Corporate Governance Committee

From left to right:
Satish Sanan
Daniel Rocheleau
André Imbeau
Luc Pinard
André Nadeau
Joseph I. Saliba
Paule Doré
Serge Godin
Michael Roach
François Chassé

# Management Team

## Corporate Services

**Serge Godin**
Chairman
and Chief Executive Officer

**François Chassé**
Executive Vice-President,
Mergers and Acquisitions

**Paule Doré**
Executive Vice-President
and Chief Corporate Officer

**André Imbeau**
Executive Vice-President
and Chief Financial Officer

**André Nadeau**
Executive Vice-President
and Chief Strategy Officer

**Daniel Rocheleau**
Executive Vice-President
and Chief Business
Engineering Officer

## Operations

### Canada and Europe

**Michael Roach**
President

**Luc Pinard**
President,
European Operations

**Hicham Adra**
Senior Vice-President,
Ottawa

**Paul Biron**
Senior Vice-President
and General Manager,
Services to BCE

**Al MacDonald**
Senior Vice-President,
Atlantic Canada

**Pierre Turcotte**
Senior Vice-President,
Greater Montreal Area

**Jacques Giguère**
Senior Vice-President,
Integrated Technology
Management, Quebec

**Gilles Godbout**
Senior Vice-President,
Credit Union Solutions
and Services

**Terry Johnson**
Senior Vice-President,
Western Canada

**Claude Marcoux**
Senior Vice-President,
Quebec City

**Ross Marsden**
Senior Vice-President
and General Manager,
Greater Toronto Area

### United States and Asia Pacific

**Satish Sanan**
President

**George Arsenault**
Senior Vice-President,
Central US and
Healthcare/Goverment
Sector Leader

**Santosh Bhargava**
Senior Vice-President, India

**Terry Broom**
Senior Vice-President,
Eastern US and Financial Services
Sector Leader

**Joe Calavassy**
Vice-President, Australia

**Prakash Challa**
Senior Vice-President,
Application Development
and Maintenance Services

**Jay Clark**
Senior Vice-President,
Western US and
Manufacturing/Retail/
Distribution, Telecom
and Utilities & Energy
Sector Leader

**Ken Dickinson**
Senior Vice-President,
Business Engineering

**Bob Evans**
Senior Vice-President,
Solutions Management

**Éric Lecoquierre**
Vice-President, Japan

### Business Process Services

**Joseph I. Saliba**
President

**Al Bonfiglio**
Vice-President,
Document Management

**Daniel Crépeau**
Senior Vice-President,
Canadian Operations

**Karen Furtado**
Vice-President,
Insurance Business
Process Services

**Patti Rajski**
Vice-President,
Solutions Marketing

# The Network


**North America**

**Canada**
Burnaby, BC
Calgary, AB
Edmonton, AB
Fredericton, NB
Halifax, NS
Jonquière, QC
Montreal, QC
Ottawa, ON
Quebec City, QC
Regina, SK
Saint John, NB
Toronto, ON
Vancouver, BC
Winnipeg, MB

**US**
Albany, NY
Andover, MA
Atlanta, GA
Canton, MA
Chicago, IL
Cincinnati, OH
Clearwater, FL
Cleveland, OH
Dallas, TX
Detroit, MI
Harrisburg, PA
Houston, TX
Howell, NJ
Kansas City, KS
Minneapolis, MN
Nashville, TN
New Iberia, LA
New York, NY
Phoenix, AZ
Pittsburgh, PA
Rancho Cordova, CA
San Jose, CA
St. Louis, MO

**Latin America**

**Uruguay**
Montevideo

**Europe**

**England**
Basingstoke
Bristol
Stevenage/London

**France**
Paris

**Portugal**
Lisbon

**Asia Pacific**

**Australia**
Sydney

**India**
Bangalore
Mumbai

**Japan**
Tokyo

For a list of CGI offices worldwide, please visit our Website at: www.cgi.ca

## Main Addresses

**Global Headquarters**
1130 Sherbrooke Street West
5th Floor
Montreal, Quebec H3A 2M8
CANADA
Tel.: (514) 841-3200
Fax: (514) 841-3299

**Canadian Operations**
4 King Street West
Suite 1900
Toronto, Ontario M5H 1B6
CANADA
Tel.: (416) 862-0430
Fax: (416) 862-2321

**US Operations**
100 South Missouri Avenue
Clearwater, FL 33756
USA
Tel: (727) 467-8000
Fax: (727) 467-8001

**European Operations**
1800 McGill College Avenue
16th Floor
Montreal, Quebec H3A 3J6
CANADA
Tel.: (514) 878-8585
Fax: (514) 281-1709

Broadlands House
Primett Road
Stevenage, Herts SG1 3EE
ENGLAND
Tel.: 44 (0) 143 831 7966
Fax: 44 (0) 143 831 4368

**Business Process Services**
600 Federal Street
Andover, MA 01810
USA
Tel.: (978) 946-3000
Fax: (978) 682-5500

## Shareholder Information

**Listing**
The Toronto Stock Exchange,
April 1992: GIB.A
New York Stock Exchange,
October 1998: GIB

Number of shares outstanding
as at October 31, 2001
327,130,450 Class A
subordinate shares
40,799,774 Class B shares

High/low of share price
from October 1, 2000
to October 31, 2001
TSE: 12.20/5.01
NYSE (US$): 8.00/3.22

**Auditors**
Samson Bélair/Deloitte & Touche

**Transfer Agent**
Computershare

**Investor Relations**
For further information about the Company, additional copies of this report or other financial information, contact:
Investor Relations
CGI Group Inc.
1130 Sherbrooke Street West
5th Floor
Montreal, Quebec H3A 2M8
CANADA
Tel.: (514) 841-3200

You may also contact us by sending an e-mail to ir@cgi.ca or by visiting the Investor Relations section on the Company's Web site at **www.cgi.ca**.

**Annual General Meeting of Shareholders**
Monday, January 21, 2002
at 11:00 a.m.
The Hilton Montreal Bonaventure
Ballroom
1 Place Bonaventure
Montreal, Quebec

CGI presents a live Webcast of its Annual Meeting of Shareholders via Internet at **www.cgi.ca**. Complete instructions on viewing the Webcast will be available on CGI's Web site. Voting is restricted to shareholders present at the Annual Meeting or represented by proxy.

This annual report is also on the Internet at the following address: **www.cgi.ca**.

Le rapport annuel 2001 de CGI est aussi publié en français.

Nolin Branding & Design

Printed in Canada

www.cgi.ca