Consolidated Financial Statements of

CGI INC.

For the years ended September 30, 2023 and 2022

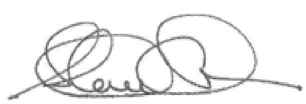
Management’s and Auditors’ Reports

MANAGEMENT’S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

The management of CGI Inc. (the Company) is responsible for the preparation and integrity of the consolidated financial statements and the Management’s Discussion and Analysis (MD&A). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and necessarily include some amounts that are based on management’s best estimates and judgement. Financial and operating data elsewhere in the MD&A are consistent with that contained in the accompanying consolidated financial statements.

To fulfill its responsibility, management has developed, and continues to maintain, systems of internal controls reinforced by the Company’s standards of conduct and ethics, as set out in written policies to ensure the reliability of the financial information and to safeguard its assets. The Company's consolidated financial statements and the effectiveness of internal control over financial reporting are subject to audit by an Independent Registered Public Accounting Firm, PricewaterhouseCoopers LLP, whose report follows. PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm appointed by our shareholders upon the recommendation of the Audit and Risk Management Committee of the Board of Directors, has performed an independent audit of the consolidated balance sheets as at September 30, 2023 and 2022 and the related consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years ended September 30, 2023 and 2022 and the effectiveness of our internal control over financial reporting as at September 30, 2023.

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



George D. Schindler
President and Chief Executive Officer

November 7, 2023

Steve Perron
Executive Vice-President and Chief Financial Officer

Management’s and Auditors’ Reports

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is a process designed, under the supervision of and with the participation of the President and Chief Executive Officer as well as the Executive Vice-President and Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s consolidated financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with IFRS as issued by the IASB, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and,
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the Company’s consolidated financial statements.

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

Management, under the supervision of and with the participation of the President and Chief Executive Officer as well as the Executive Vice-President and Chief Financial Officer, conducted an assessment of the effectiveness of the Company’s internal control over financial reporting based on the criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined the Company’s internal control over financial reporting as at September 30, 2023 was effective.

The effectiveness of the Company’s internal control over financial reporting as of September 30, 2023 has been audited by PricewaterhouseCoopers LLP, an Independent Registered Public Accounting Firm, as stated in their report which appears herein.

George D. Schindler
President and Chief Executive Officer

Steve Perron
Executive Vice-President and Chief Financial Officer

November 7, 2023

Management's and Auditors' Reports

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of CGI Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of CGI Inc. and its subsidiaries (together, the Company) as of September 30, 2023 and 2022, and the related consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of September 30, 2023, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (continued)

Basis for Opinions (continued)

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the Audit and Risk Management Committee of the Board of Directors and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgements. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (continued)

Critical Audit Matters (continued)

Revenue Recognition - Estimates of total expected labour costs for business and strategic information technology (IT) consulting and systems integration services under fixed-fee arrangements
As described in notes 3 and 29 to the consolidated financial statements, the Company recognizes revenue for business and strategic IT consulting and systems integration services under fixed-fee arrangements using the percentage-of-completion method over time. For the year ended September 30, 2023, revenue from business and strategic IT consulting and systems integration services under fixed-fee arrangements makes up a portion of the Company's total revenues of $14,296,360,000. The selection of the measure of progress towards completion requires management's judgement and is based on the nature of the services to be provided. As disclosed by management, the Company relies on estimates of total expected labour costs, which are compared to labour costs incurred to date, to arrive at an estimate of the progress to completion which determines the percentage of revenue earned to date. Management regularly reviews underlying estimates of total expected labour costs. Management has disclosed that there are many factors that can affect the estimates of total expected labour costs, including, but not limited to, changes in scope of the contracts, delays in reaching milestones, or new complexities in the project's delivery.

The principal considerations for our determination that performing procedures relating to Revenue Recognition – Estimates of total expected labour costs for business and strategic IT consulting and systems integration services under fixed-fee arrangements is a critical audit matter are (i) there was significant judgement by management when developing the estimates of total expected labour costs; and (ii) there was significant auditor judgement and effort in performing procedures to evaluate the estimates of total expected labour costs, including the assessment of management's judgement about the Company's ability to properly assess the factors that can affect the estimates of total expected labour costs.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the determination of estimates of total expected labour costs. These procedures also included, among others, evaluating and testing management's process, on a sample basis, for determining the estimates of total expected labour costs determined by management by (i) testing total labour costs incurred to supporting evidence; (ii) performing a comparison of the sum of total labour costs incurred and the total expected labour costs to complete to the originally estimated costs; and (iii) evaluating the process of the timely identification of factors that can affect the total expected labour costs including, but not limited to, changes to the scope of the contracts, delays in reaching milestones or new complexities in the project's delivery.

/s/PricewaterhouseCoopers LLP

Montréal, Canada

November 7, 2023

We have served as the Company's auditor since 2019.

Consolidated Statements of Earnings

For the years ended September 30

(in thousands of Canadian dollars, except per share data)

	Notes	**2023**	2022
		$	$
Revenue	29	**14,296,360**	12,867,201
Operating expenses			
Costs of services, selling and administrative	23	**11,982,421**	10,776,564
Acquisition-related and integration costs	27d	**53,401**	27,654
Cost optimization program	25	**8,964**	—
Net finance costs	26	**52,463**	92,023
Foreign exchange loss		**1,198**	4,001
		12,098,447	10,900,242
Earnings before income taxes		**2,197,913**	1,966,959
Income tax expense	16	**566,664**	500,817
Net earnings		**1,631,249**	1,466,142
Earnings per share			
Basic earnings per share	21	**6.97**	6.13
Diluted earnings per share	21	**6.86**	6.04

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

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

	2023	2022
	$	$
Net earnings	**1,631,249**	1,466,142
Items that will be reclassified subsequently to net earnings (net of income taxes):		
Net unrealized gains (losses) on translating financial statements of foreign operations	**242,789**	(319,698)
Net losses on cross-currency swaps and on translating long-term debt designated as hedges of net investments in foreign operations	**(53,959)**	(4,541)
Deferred (costs) gains of hedging on cross-currency swaps	**(14,733)**	21,705
Net unrealized (losses) gains on cash flow hedges	**(18,750)**	25,245
Net unrealized gains (losses) on financial assets at fair value through other comprehensive income	**660**	(6,263)
Items that will not be reclassified subsequently to net earnings (net of income taxes):		
Net remeasurement losses on defined benefit plans	**(36,778)**	(8,282)
Other comprehensive income (loss)	**119,229**	(291,834)
Comprehensive income	**1,750,478**	1,174,308

See Notes to the Consolidated Financial Statements.

Consolidated Balance Sheets

As at September 30

(in thousands of Canadian dollars)

	Notes	**2023**	2022
		$	$
Assets			
Current assets			
Cash and cash equivalents	28e and 32	**1,568,291**	966,458
Accounts receivable	4 and 32	**1,425,117**	1,363,545
Work in progress		**1,143,685**	1,191,844
Current financial assets	32	**103,463**	33,858
Prepaid expenses and other current assets		**198,377**	189,366
Income taxes		**6,067**	5,137
Total current assets before funds held for clients		**4,445,000**	3,750,208
Funds held for clients	5	**488,727**	598,839
Total current assets		**4,933,727**	4,349,047
Property, plant and equipment	6	**389,276**	369,608
Right-of-use assets	7	**482,321**	535,121
Contract costs	8	**308,446**	261,612
Intangible assets	9	**623,103**	615,959
Other long-term assets	10	**84,776**	139,666
Long-term financial assets	11	**147,968**	337,156
Deferred tax assets	16	**105,432**	85,795
Goodwill	12	**8,724,450**	8,481,456
		15,799,499	15,175,420
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**924,659**	1,016,407
Accrued compensation and employee-related liabilities		**1,100,566**	1,130,726
Deferred revenue		**488,761**	453,579
Income taxes		**250,869**	153,984
Current portion of long-term debt	14	**1,158,971**	93,447
Current portion of lease liabilities		**198,857**	157,944
Provisions	13	**24,965**	33,103
Current derivative financial instruments	32	**4,513**	5,710
Total current liabilities before clients' funds obligations		**4,152,161**	3,044,900
Clients' funds obligations		**493,638**	604,431
Total current liabilities		**4,645,799**	3,649,331
Long-term debt	14	**1,941,350**	3,173,587
Long-term lease liabilities		**443,106**	551,257
Long-term provisions	13	**19,198**	17,482
Other long-term liabilities	15	**243,592**	192,108
Long-term derivative financial instruments	32	**1,700**	6,480
Deferred tax liabilities	16	**31,081**	157,406
Retirement benefits obligations	17	**163,379**	155,045
		7,489,205	7,902,696
Equity			
Retained earnings		**6,329,107**	5,425,005
Accumulated other comprehensive income	18	**158,975**	39,746
Capital stock	19	**1,477,180**	1,493,169
Contributed surplus		**345,032**	314,804
		8,310,294	7,272,724
		15,799,499	15,175,420

See Notes to the Consolidated Financial Statements.

Approved by the Board of Directors

George D. Schindler
Director

Serge Godin
Director

Consolidated Statements of Changes in Equity

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

	Notes	Retained earnings	Accumulated other comprehensive income	Capital stock	Contributed surplus	Total equity
		$	$	$	$	$
Balance as at September 30, 2022		5,425,005	39,746	1,493,169	314,804	7,272,724
Net earnings		1,631,249	—	—	—	1,631,249
Other comprehensive income		—	119,229	—	—	119,229
Comprehensive income		1,631,249	119,229	—	—	1,750,478
Share-based payment costs		—	—	—	58,214	58,214
Income tax impact associated with stock options		—	—	—	14,423	14,423
Exercise of stock options	19	—	—	106,051	(17,735)	88,316
Exercise of performance share units	19	(2,885)	—	13,680	(24,674)	(13,879)
Purchase for cancellation of Class A subordinate voting shares	19	(725,538)	—	(61,368)	—	(786,906)
Unrealized commitment to purchase Class A subordinate voting shares		1,276	—	103	—	1,379
Purchase of Class A subordinate voting shares held in trusts	19	—	—	(74,455)	—	(74,455)
Balance as at September 30, 2023		**6,329,107**	**158,975**	**1,477,180**	**345,032**	**8,310,294**

	Notes	Retained earnings	Accumulated other comprehensive income	Capital stock	Contributed surplus	Total equity
		$	$	$	$	$
Balance as at September 30, 2021		4,732,229	331,580	1,632,705	289,718	6,986,232
Net earnings		1,466,142	—	—	—	1,466,142
Other comprehensive loss		—	(291,834)	—	—	(291,834)
Comprehensive income (loss)		1,466,142	(291,834)	—	—	1,174,308
Share-based payment costs		—	—		48,996	48,996
Income tax impact associated with stock options		—	—	—	460	460
Exercise of stock options	19	—	—	50,236	(8,549)	41,687
Exercise of performance share units	19	—	—	15,821	(15,821)	—
Purchase for cancellation of Class A subordinate voting shares	19	(773,366)	—	(135,290)	—	(908,656)
Purchase of Class A subordinate voting shares held in trusts	19	—	—	(70,303)	—	(70,303)
Balance as at September 30, 2022		5,425,005	39,746	1,493,169	314,804	7,272,724

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

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

	Notes	**2023**	2022
		$	$
Operating activities			
Net earnings		**1,631,249**	1,466,142
Adjustments for:			
Amortization, depreciation and impairment	24	**519,648**	474,622
Deferred income tax recovery	16	**(109,496)**	(7,496)
Foreign exchange gain		**(766)**	(254)
Share-based payment costs		**58,214**	48,996
Gain on lease terminations and sale of property, plant and equipment		**(3,065)**	(6,119)
Net change in non-cash working capital items and others	28a	**16,465**	(110,893)
Cash provided by operating activities		**2,112,249**	1,864,998
Investing activities			
Net change in short-term investments		**(81,131)**	(4,881)
Business acquisitions (considering bank overdraft assumed and cash acquired)	27c	**(13,039)**	(571,911)
Loan receivable		**(15,846)**	—
Purchase of property, plant and equipment		**(159,769)**	(156,136)
Proceeds from sale of property, plant and equipment		**—**	3,790
Additions to contract costs		**(102,082)**	(84,283)
Additions to intangible assets		**(147,200)**	(137,621)
Purchase of long-term investments		**(93,275)**	(11,905)
Proceeds from sale of long-term investments		**50,484**	51,000
Cash used in investing activities		**(561,858)**	(911,947)
Financing activities			
Increase of long-term debt	28c	**948**	—
Repayment of long-term debt	28c	**(79,150)**	(401,654)
Payment of lease liabilities	28c	**(161,211)**	(153,996)
Repayment of debt assumed in business acquisitions	28c	**(56,994)**	(113,036)
Settlement of derivative financial instruments	28c and 32	**2,921**	6,258
Withholding taxes remitted on the net settlement of performance share units	19	**(13,879)**	—
Purchase of Class A subordinate voting shares held in trusts	19	**(74,455)**	(70,303)
Purchase and cancellation of Class A subordinate voting shares	19	**(788,020)**	(913,388)
Issuance of Class A subordinate voting shares		**88,316**	41,691
Net change in clients' funds obligations		**(110,852)**	13,330
Cash used in financing activities		**(1,192,376)**	(1,591,098)
Effect of foreign exchange rate changes on cash, cash equivalents and cash included in funds held for clients		**8,884**	(46,500)
Net increase (decrease) in cash, cash equivalents and cash included in funds held for clients		**366,899**	(684,547)
Cash, cash equivalents and cash included in funds held for clients, beginning of year		**1,471,184**	2,155,731
Cash, cash equivalents and cash included in funds held for clients, end of year		**1,838,083**	1,471,184

Cash composition:

Cash and cash equivalents		**1,568,291**	966,458
Cash included in funds held for clients	5	**269,792**	504,726

Supplementary cash flow information (Note 28).

See Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2023 and 2022
(tabular amounts only are in thousands of Canadian dollars, except per share data)

1. Description of business

CGI Inc. (the Company), directly or through its subsidiaries, provides managed information technology (IT) and business process services, business and strategic IT consulting and systems integration services, as well as software solutions to help clients effectively realize their strategies and create added value. The Company was incorporated under Part IA of the Companies Act (Québec), predecessor to the Business Corporations Act (Québec) which came into force on February 14, 2011 and its Class A subordinate voting shares are publicly traded. The executive and registered office of the Company is situated at 1350 René-Lévesque Blvd. West, Montréal, Québec, Canada, H3G 1T4.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Company's consolidated financial statements for the years ended September 30, 2023 and 2022 were authorized for issue by the Board of Directors on November 7, 2023.

3. Summary of material accounting policies

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated on consolidation.

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

BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, which have been measured at fair value as described below.

USE OF JUDGEMENTS AND ESTIMATES

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

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

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

Revenue recognition of multiple deliverable arrangements

Assessing whether the deliverables within an arrangement are separate performance obligations requires judgement by management. A deliverable is identified as a separate performance obligation if the customer benefits from it on its own or together with resources that are readily available to the customer and if it is separately identifiable from the other deliverables in the contract. The Company assesses if the deliverables are separately identifiable in the context of the contract by determining if it is highly interrelated with other deliverables in the contract. If these criteria are not met, the deliverables are accounted for as a combined performance obligation.

3. Summary of material accounting policies (continued)

USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

Deferred tax assets

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

A description of estimates is included in the respective sections within the Notes to the Consolidated Financial Statements.

REVENUE RECOGNITION, WORK IN PROGRESS AND DEFERRED REVENUE

The Company generates revenue through the provision of managed IT and business process services, business and strategic IT consulting and systems integration services, as well as software solutions as described in Note 1, Description of business.

The Company provides services and products under arrangements that contain various pricing mechanisms. The Company accounts for a contract or a group of contracts when the following criteria are met: the parties to the contract have approved the contract in which their rights, their obligations and the payment terms have been identified, the contract has commercial substance, and the collectability of the consideration is probable.

A contract modification is a change in the scope or price of an existing revenue-generating customer contract. The Company accounts for a contract modification as a separate contract when the scope of the contract increases because of the addition of promised performance obligations and the price of the contract increases by an amount of consideration that reflects its stand-alone selling prices. When the contract is not accounted for as a separate contract, the Company recognizes an adjustment to revenue on the existing contract on a cumulative catch-up basis as at the date of the contract modification or, if the remaining goods and services are distinct performance obligations, the Company recognizes the remaining consideration prospectively.

Revenue is recognized when or as the Company satisfies a performance obligation by transferring a promise of good or service to the customer and are measured at the amount of consideration the Company expects to be entitled to receive, including variable consideration, such as, discounts, volume rebates, service-level penalties, and incentives. Variable consideration is estimated using either the expected value method or most likely amount method and is included only to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur. In making this judgement, management will mostly consider all information available at the time (historical, current and forecasted), the Company’s knowledge of the client or the industry, the type of services to be delivered and the specific contractual terms of each arrangement.

Revenue from sales of third party vendor's products, such as software licenses, hardware or services is recorded on a gross basis when the Company is a principal to the transaction and is recorded net of costs when the Company is acting as an agent between the client and vendor. To determine whether the Company is a principal or an agent, it evaluates whether control is obtained of the goods or services before they are transferred to the client. This is often demonstrated when the Company provides significant integration of the goods and services from a third party vendor into the Company's goods and services delivered to the client. Other factors considered include whether the Company has the primary responsibility for providing the product or service, has inventory risk before the specified good or service has been transferred to a client, or after transfer of control to a client, and has discretion establishing the selling price.

Relative stand-alone selling price

The Company’s arrangements often include a mix of the services and products as described below. If an arrangement involves the provision of multiple performance obligations, the total arrangement value is allocated to each performance obligations based on its relative stand-alone selling price. When estimating the stand-alone selling price of each performance obligations, the Company maximizes the use of observable prices which are established using the Company’s prices for same or similar deliverables. When observable prices are not available, the Company estimates stand-alone selling prices based on its best estimate.

3. Summary of material accounting policies (continued)

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

Relative stand-alone selling price (continued)

The best estimate of the stand-alone selling price is the price at which the Company would normally expect to offer the services or products and is established by considering a number of internal and external factors including, but not limited to, geographies, the Company's pricing policies, internal costs and margins. Additionally, in certain circumstances, the Company may apply the residual approach when estimating the stand-alone selling price of software license products, for which the Company has not yet established the price or has not previously sold on a stand-alone basis.

As an incentive, upon client contract signature, the Company may provide discounts. These incentives are considered in the allocation of the relative stand-alone selling price of the performance obligations. The revenue recognized on the discounted performance obligations in excess of their corresponding invoice is accounted for as a discount incentives in accounts receivable.

The appropriate revenue recognition method is applied for each performance obligation as described below.

Managed IT and business process services

Revenue from managed IT and business process services arrangements is generally recognized over time as the services are provided at the contractual billings, which corresponds with the value provided to the client, unless there is a better measure of performance or delivery.

Business and strategic IT consulting and systems integration services

Revenue from business and strategic IT consulting and systems integration services under time and material arrangements is recognized over time as the services are rendered, and revenue under cost-based arrangements is recognized over time as reimbursable costs are incurred. Contractual billings of such arrangements correspond with the value provided to the client, and therefore revenues are generally recognized when amounts become billable.

Revenue from business and strategic IT consulting and systems integration services under fixed-fee arrangements is recognized using the percentage-of-completion method over time, as the Company has no alternative use for the asset created and has an enforceable right to payment for performance completed to date. The Company primarily uses labour costs to measure the progress towards completion. This method relies on estimates of total expected labour costs, which are compared to labour costs incurred to date, to arrive at an estimate of the progress to completion which determines the percentage of revenue earned to date. Factors considered in the estimates include: changes in scope of the contracts, delays in reaching milestones, complexities in project delivery, availability and retention of qualified IT professionals and/or the ability of the subcontractors to perform their obligation within agreed upon budget and timeframes. Management regularly reviews underlying estimates of total expected labour costs.

Software licenses and Software-as-a-Service (SaaS)

CGI offers its intellectual property (IP) solutions as well as third party solutions in the form of software license arrangements. Most of these arrangements include other services such as implementation, customization and maintenance. For these types of arrangements, revenue from a software license, when identified as a performance obligation, is recognized at a point in time upon delivery. Otherwise when the software is significantly customized, integrated or modified, it is combined with the implementation and customization services and is accounted for as described in the business and strategic IT consulting and systems integration services section above. Revenue from maintenance services for software licenses sold is recognized straight-line over the term of the maintenance period.

CGI also provides its IP solutions in the form of SaaS where the customer cannot terminate the hosting contract and take possession of the software without significant penalty. SaaS are part of the managed IT and business process services offering where revenue is generally recognized over time as the services are provided. Transition activities to bring clients to the SaaS platforms, including hosting set-up and customization, that are not considered distinct performance obligations are capitalized as transition costs and amortized over the service period.

3. Summary of material accounting policies (continued)

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

Work in progress and deferred revenue

Amounts recognized as revenue in excess of billings are classified as work in progress. Amounts received in advance of the performance of services or delivery of products are classified as deferred revenue. Work in progress and deferred revenue are presented net on a contract by-contract basis. During the year ended September 30, 2023, the revenues recognized from the short-term deferred revenue was not significantly different than what was presented as at September 30, 2022.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of unrestricted cash and short-term investments having a maturity of three months or less from the date of purchase.

SHORT-TERM INVESTMENTS

Short-term investments, comprise generally of term deposits, have remaining maturities over three months, but not more than one year, at the date of purchase.

FUNDS HELD FOR CLIENTS AND CLIENTS' FUNDS OBLIGATIONS

In connection with the Company's payroll, tax filing and claims services, the Company collects funds for payment of payroll, taxes and claims, temporarily holds such funds until payment is due, remits the funds to the clients' employees, appropriate tax authorities or claims holders, files tax returns and handles related regulatory correspondence and amendments. The funds held for clients include cash, short-term investments and long-term bonds. The Company presents the funds held for clients and related obligations separately. Funds held for clients are classified as current assets since, based upon management's expectations, these funds are held solely for the purpose of satisfying the clients' funds obligations, which will be repaid within one year of the consolidated balance sheet date. The market fluctuations affect the fair value of the long-term bonds. Due to those fluctuations, funds held for clients might not equal to the clients' funds obligations.

Interest income earned and realized gains and losses on the disposal of short-term investments and long-term bonds are recorded in revenue in the period that the income is earned, as the collecting, holding and remitting of these funds are critical components of providing these services.

PROPERTY, PLANT AND EQUIPMENT (PP&E)

PP&E are recorded at cost and are depreciated over their estimated useful lives using the straight-line method.

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

LEASES

When the Company enters into contractual agreements with suppliers, an assessment is performed to determine if the contract contains a lease. The Company identified lease agreements under the following categories: Properties, Motor vehicles and others as well as Computer equipment.

The Company identifies a lease if it conveys the right to control the use of an identified asset for a specific period in exchange for a determined consideration. At inception, a right-of-use asset for the underlying asset and corresponding lease liability are presented in the consolidated balance sheet measured on a present value basis except for short-term leases (expected term of 12 months or less) and leases with low value underlying asset for which payments are recorded as an expense on a straight-line basis over the lease term.

The right-of-use assets are measured at initial lease liabilities adjusted by lease payments made before the commencement date, indirect costs and cash incentives received. The right-of-use assets are depreciated on a straight-line basis over the expected lease term of the underlying asset.

3. Summary of material accounting policies (continued)

LEASES (CONTINUED)

Lease liabilities are measured at present value of non-cancellable payments of the expected lease term, which are mostly made of fixed payments of rent; variable payments that are based on an index or a rate; amounts expected to be payable as residual value guarantees and extension or termination option if reasonably certain to be exercised. Non-lease components, mostly made of fixed maintenance fees and property tax are excluded from the lease liabilities. Payments are recorded as an expense over the lease term as part of property costs.

The Company estimates the lease term in order to calculate the value of the lease liability at the initial date of the lease. Management uses judgement to determine the appropriate lease term based on the conditions of each lease. The Company considers all facts that create incentive to exercise an extension option or not to take a termination option including leasehold improvements, significant modification of the underlying asset or a business decision. The extension or termination options are only included in the lease term if it is reasonably certain of being exercised.

Discount rate used in the present value calculation is the incremental borrowing rate unless the implicit interest rate in the lease can be readily determined. The Company estimates the incremental borrowing rate for each lease or portfolio of leased assets, as most of the implicit interest rates in the leases are not readily determinable. To calculate the incremental borrowing rate, the Company considers its creditworthiness, the term of the arrangement, any collateral received and the economic environment at the lease date.

The lease liabilities are subsequently adjusted by interest which is recorded as part of net finance costs as well as from lease payments made.

Futhermore, lease liabilities are remeasured (along with the corresponding adjustment to the right-of-use asset), whenever the following situations occur:

- a modification in the lease term or a change in the assessment of an option to purchase or terminate the lease, for which the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; and
- a modification in the residual guarantees or in future lease payments due to a change of an index or rate tied to the payments, for which the lease liability is remeasured by discounting the revised lease payments using the initial discount rate determined when setting up the liability.

In addition, upon partial or full termination of a lease, the difference between the carrying amounts of the lease liability and the right-of-use asset is recorded in the consolidated statements of earnings.

CONTRACT COSTS

Contract costs are comprised primarily of transition costs incurred to implement long-term managed IT and business process services contracts, including SaaS, as well as incentives.

Transition costs

Transition costs consist mostly of costs associated with the installation of systems and processes, conversion of the client's applications to the Company's platforms incurred after the award of managed IT and business process services contracts, including SaaS. Transition costs are comprised essentially of labour costs consisting of employee compensation and related fringe benefits. Labour costs also include subcontractor costs.

Incentives

Occasionally, incentives are granted to clients upon the signing of managed IT and business process services contracts. These incentives are granted in the form of cash payments.

Amortization of contract costs

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

3. Summary of material accounting policies (continued)

CONTRACT COSTS (CONTINUED)

Impairment of contract costs

When a contract is not expected to be profitable, the estimated loss is first applied to impair the related capitalized contract costs. The excess of the expected loss over the capitalized contract costs is recorded as onerous revenue-generating contracts in provisions. If at a future date the contract returns to profitability, the estimated losses on revenue-generating contracts must be reversed first, and if there is still additional projected profitability then any capitalized contract costs that were impaired must be reversed. The reversal of the impairment loss is limited so that the carrying amount does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the contract costs in prior years.

INTANGIBLE ASSETS

Intangible assets consist of software, business solutions and client relationships. Software and business solutions are recorded at cost. Software internally developed is capitalized when it meets specific capitalization criteria related to technical and financial feasibility and when the Company demonstrates its ability and intention to use it. Business solutions developed internally and marketed are capitalized when they meet specific capitalization criteria related to technical, market and financial feasibility. Software, business solutions and client relationships acquired through business combinations are initially recorded at their fair value based on the present value of expected future cash flows, which involves estimates, such as the forecasting of future cash flows and discount rates.

Amortization of intangible assets

The Company amortizes its intangible assets using the straight-line method over their estimated useful lives.

Software	1 to 8 years
Business solutions	3 to 10 years
Client relationships	5 to 7 years

IMPAIRMENT OF PP&E, RIGHT-OF-USE ASSETS, INTANGIBLE ASSETS AND GOODWILL

Timing of impairment testing

The carrying values of PP&E, right-of-use assets, intangible assets and goodwill are reviewed for impairment when events or changes in circumstances indicate that the carrying value may be impaired. The Company assesses at each reporting date whether any such events or changes in circumstances exist. The carrying values of intangible assets not available for use are tested for impairment annually as at September 30. Goodwill is also tested for impairment annually during the fourth quarter of each fiscal year.

Impairment testing

If any indication of impairment exists or when annual impairment testing for an asset is required, the Company estimates the recoverable amount of the asset or cash-generating unit (CGU) to which the asset relates to determine the extent of any impairment loss. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use (VIU) to the Company. The Company mainly uses the VIU. In assessing the VIU, estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If the recoverable amount of an asset or a CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of earnings.

3. Summary of material accounting policies (continued)

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

Impairment testing (continued)

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

The recoverable amount of each operating segment has been determined based on the VIU calculation which includes estimates about their future financial performance based on cash flows approved by management covering a period of five years. Key assumptions used in the VIU calculations are the pre-tax discount rate applied and the long-term growth rate of net operating cash flows. In determining these assumptions, management has taken into consideration the current economic environment and its resulting impact on expected growth and discount rates. The cash flow projections reflect management's expectations of the operating segment's operating performance and growth prospects in the operating segment's market. The pre-tax discount rate applied to an operating segment is derived from the weighted average cost of capital (WACC). Management considers factors such as country risk premium, risk-free rate, size premium and cost of debt to derive the WACC. Impairment losses relating to goodwill cannot be reversed in future periods.

For impaired assets, other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount of the asset since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of earnings.

LONG-TERM FINANCIAL ASSETS

Long-term financial assets are comprised mainly of long-term investments bonds which are presented as long-term based on management's intentions.

BUSINESS COMBINATIONS

The Company accounts for its business combinations using the acquisition method. Under this method, the consideration transferred is measured at fair value. Acquisition-related and integration costs associated with the business combination are expensed as incurred or when a present legal or constructive obligation exists. The Company recognizes goodwill as the excess of the cost of the acquisition over the net identifiable tangible and intangible assets acquired and liabilities assumed at their acquisition-date fair values. The goodwill recognized is composed of the future economic value associated to acquired work force and synergies with the Company's operations which are primarily due to reduction of costs and new business opportunities. Management makes assumptions when determining the acquisition-date fair values of the identifiable tangible and intangible assets acquired and liabilities assumed which involve estimates, such as the forecasting of future cash flows, discount rates and the useful lives of the assets acquired. Subsequent changes in fair values are recorded as part of the purchase price allocation and therefore result in corresponding goodwill adjustments if they qualify as measurement period adjustments. The measurement period is the period between the date of acquisition and the date where all significant information necessary to determine the fair values is available, not to exceed 12 months. All other subsequent changes in judgements and estimates are recognized in the consolidated statements of earnings.

3. Summary of material accounting policies (continued)

EARNINGS PER SHARE

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

RESEARCH AND SOFTWARE DEVELOPMENT COSTS

Research costs are charged to earnings in the period in which they are incurred, net of related tax credits. Development costs related to software and business solutions are charged to earnings in the year they are incurred, net of related tax credits, unless they meet specific capitalization criteria related to technical, market and financial feasibility as described in the Intangible assets section above.

TAX CREDITS

The Company follows the income approach to account for research and development (R&D) and other tax credits, whereby tax credits are recorded when there is a reasonable assurance that the assistance will be received and that the Company will comply with all relevant conditions. Under this method, tax credits related to operating expenditures are recorded as a reduction of the related expenses and recognized in the period in which the related expenditures are charged to earnings. Tax credits related to capital expenditures are recorded as a reduction of the cost of the related assets. The tax credits recorded are based on management's best estimates of amounts expected to be received and are subject to audit by the taxation authorities.

INCOME TAXES

Income taxes are accounted for using the liability method of accounting.

Current income taxes are recognized with respect to the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheets date.

Deferred tax assets and liabilities are determined based on deductible or taxable temporary differences between the amounts reported for consolidated financial statement purposes and tax values of the assets and liabilities using enacted or substantively enacted tax rates that will be in effect for the year in which the differences are expected to be recovered or settled. Deferred tax assets and liabilities are recognized in earnings, in other comprehensive income or in equity based on the classification of the item to which they relate.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Once this assessment is made, the Company considers the analysis of forecasts and future tax planning strategies. Estimates of taxable profit are made based on the forecast by jurisdiction on an undiscounted basis. In addition, management considers factors such as substantively enacted tax rates, the history of the taxable profits and availability of tax strategies.

The Company is subject to income tax laws in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes as the determination of tax liabilities and assets involves uncertainties in the interpretation of complex tax regulations and requires estimates and assumptions considering the existing facts and circumstances. The Company provides for potential tax liabilities based on the most likely amount of the possible outcomes. Estimates are reviewed each reporting period and updated, based on new information available, and could result in changes to the income tax liabilities and deferred tax liabilities in the period in which such determinations are made.

3. Summary of material accounting policies (continued)

PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Company's provisions consist of liabilities for litigation and claims provisions arising in the ordinary course of business, decommissioning liabilities for leases of office buildings, onerous revenue-generating contracts and onerous supplier contracts. The Company also records severance provisions related to specific initiatives such as cost optimization programs and the integration of its business acquisitions.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are discounted using a current pre-tax rate when the impact of the time value of money is material. The increase in the provisions due to the passage of time is recognized as finance costs.

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

Decommissioning liabilities pertain to leases of buildings where certain arrangements require premises to be returned to their original state at the end of the lease term. The provision is determined using the present value of the estimated future cash outflows.

Provisions for onerous revenue-generating contracts are recorded when remaining unavoidable costs of fulfilling the contract exceed the remaining estimated revenue from the contract. Management regularly reviews arrangement profitability and the underlying estimates.

Provisions for onerous supplier contracts are recorded when the unavoidable net cash flows from honoring the contract are negative. The provision represents the lowest of the costs to fulfill the contract and the penalties to exit the contract. Those are generally related to non-lease components of vacated leased premises that can be incurred under specific initiatives.

Severance provisions are recognized when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, appropriate timelines and has been communicated to those affected by it.

TRANSLATION OF FOREIGN CURRENCIES

The Company's consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

Foreign currency transactions and balances

Revenue, expenses and non-monetary assets and liabilities denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the balance sheets date. Unrealized and realized translation gains and losses are reflected in the consolidated statements of earnings.

Foreign operations

For foreign operations that have functional currencies different from the Company, assets and liabilities denominated in a foreign currency are translated at exchange rates in effect at the balance sheets date. Revenue and expenses are translated at average exchange rates prevailing during the period. Resulting unrealized gains or losses on translating financial statements of foreign operations are reported in other comprehensive income.

For foreign operations with the same functional currency as the Company, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheets date and non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at average exchange rates during the period. Translation exchange gains or losses of such operations are reflected in the consolidated statements of earnings.

3. Summary of material accounting policies (continued)

SHARE-BASED PAYMENTS

Equity-settled plans

The Company operates PSU and equity-settled stock option plans under which the Company receives services from employees, officers and directors as consideration for equity instruments.

The fair value of those share-based payments is established on the closing price of Class A subordinate voting shares of the Company on the Toronto Stock Exchange (TSX) for the PSUs and the grant date using the Black-Scholes option pricing model for the stock options. The number of PSUs and stock options expected to vest are estimated on the grant date and subsequently revised on each reporting date. For stock options, the estimation of fair value requires making assumptions for the most appropriate inputs to the valuation model including the expected life of the option and expected stock price volatility. The fair value of share-based payments, adjusted for expectations related to performance conditions and forfeitures, are recognized as share-based payment costs over the vesting period in earnings with a corresponding credit to contributed surplus on a graded-vesting basis if they vest annually or on a straight-line basis if they vest at the end of the vesting period.

When PSUs are exercised, the recorded fair value of PSUs is removed from contributed surplus and credited to capital stock. When stock options are exercised, any consideration paid is credited to capital stock and the recorded fair value of the stock options is removed from contributed surplus and credited to capital stock.

Share purchase plan

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

Cash-settled deferred share units

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

FINANCIAL INSTRUMENTS

All financial instruments are initially measured at their fair value and are subsequently classified either at amortized cost, at fair value through earnings (FVTE) or at fair value through other comprehensive income (FVOCI). Financial assets are classified based on the Company’s management model of such instruments and their contractual cash flows they generate. Financial liabilities are classified and measured at amortized cost, unless they are held for trading and classified as FVTE.

The Company has made the following classifications:

FVTE

Cash and cash equivalents, cash included in funds held for clients, derivative financial instruments and deferred compensation plan assets within long-term financial assets are measured at fair value at the end of each reporting period and the resulting gains or losses are recorded in the consolidated statements of earnings.

Amortized Cost

Trade accounts receivable, long-term receivables within long-term financial assets, short-term investments in funds held for clients, accounts payable and accrued liabilities, accrued compensation and employee-related liabilities, long-term debt and clients’ funds obligations are measured at amortized cost using the effective interest method. Financial assets classified at amortized cost are subject to impairment. For trade accounts receivable and work in progress, the Company applies the simplified approach to measure expected credit losses, which requires lifetime expected loss allowance to be recorded upon initial recognition of the financial assets.

3. Summary of material accounting policies (continued)

FINANCIAL INSTRUMENTS (CONTINUED)

FVOCI

Short-term investments included in current financial assets, long-term bonds included in funds held for clients and long-term investments within long-term financial assets are measured at fair value through other comprehensive income and are subject to impairment for which the Company uses the low credit risk exemption.

The unrealized gains and losses, net of applicable income taxes, are recorded in other comprehensive income. Interest income measured using the effective interest method and realized gains and losses on derecognition are recorded in the consolidated statements of earnings.

Transaction costs are comprised primarily of legal, accounting and other costs directly attributable to the acquisition or issuance of financial instruments. Transaction costs related to financial instruments other than FVTE are included in the initial recognition of the corresponding asset or liability and are amortized using effective interest method. Transaction costs related to the unsecured committed revolving credit facility are included in other long-term assets and are amortized using the straight-line method over the expected life of the underlying agreement.

Financial assets are derecognized if the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for derecognition as substantially all the risks and rewards of ownership of the financial asset have been transferred.

Fair value hierarchy

Fair value measurements recognized on the balance sheets are classified in accordance with the following levels:

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency exchange risks.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting date. The resulting gain or loss is recognized in the consolidated statements of earnings, unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the consolidated statements of earnings depends on the nature of the hedge relationship. The cash flows of the hedging instruments are classified in the same manner as the cash flows of the item being hedged.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management's objective and strategy for undertaking the hedge. The documentation includes the identification of the nature of the risk being hedged, the economic relationship between the hedged item and the hedging instruments which should not be dominated by credit risk, the hedge ratio consistent with the risk management strategy pursued and how the Company will assess the effectiveness of the hedging relationship on an ongoing basis.

Management evaluates hedge effectiveness at inception of the hedge instrument and quarterly thereafter generally based on a managed hedge ratio of 1 for 1. Hedge effectiveness is measured prospectively as the extent to which changes in the fair value or cash flows of the derivative offsets the changes in the fair value or cash flows of the underlying hedged instrument or risk when there is a significant mismatch between the terms of the hedging instrument and the hedged item. Any meaningful imbalance is considered ineffectiveness in the hedge and accounted for accordingly in the consolidated statements of earnings.

3. Summary of material accounting policies (continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS (CONTINUED)

Hedges of net investments in foreign operations

The Company uses cross-currency swaps and foreign currency denominated long-term debt to hedge portions of the Company's net investments in its U.S. and European operations. Foreign exchange translation gains or losses on the net investments and the effective portions of gains or losses on instruments hedging the net investments are recorded in other comprehensive income. Gains or losses relating to the ineffective portion are recognized in consolidated statements of earnings. When the hedged net investment is disposed of, the relevant amount in other comprehensive income is transferred to earnings as part of the gain or loss on disposal.

Cash flow hedges of future revenue and long-term debt

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

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

The effective portion of the change in fair value of the derivative financial instruments is recognized in other comprehensive income and the ineffective portion, if any, in the consolidated statements of earnings. The effective portion of the change in fair value of the derivatives is reclassified out of other comprehensive income into the consolidated statements of earnings when the hedged item is recognized in the consolidated statements of earnings.

Cost of hedging

The Company has elected to account for forward element and foreign currency basis spread of forward contracts and cross-currency swaps as costs of hedging. In such cases, the deferred costs (gains) of hedging, net of applicable income taxes, are recognized as a separate component of the accumulated other comprehensive income and reclassified in the consolidated statements of earnings when the hedged item is derecognized.

EMPLOYEE BENEFITS

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

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

For defined benefit plans, the defined benefit obligations are calculated by independent actuaries using the projected unit credit method. The retirement benefits obligations in the consolidated balance sheets represent the present value of the defined benefit obligations as reduced by the fair value of plan assets. The retirement benefits assets are recognized to the extent that the Company can benefit from refunds or a reduction in future contributions. Retirement benefits plans that are funded by the payment of insurance premiums are treated as defined contribution plans unless the Company has an obligation either to pay the benefits directly when they fall due or to pay further amounts if assets accumulated with the insurer do not cover all future employee benefits. In such circumstances, the plan is treated as a defined benefit plan.

Insurance policies are treated as plan assets of a defined benefit plan if the proceeds of the policy:

- Can only be used to fund employee benefits;
- Are not available to the Company's creditors; and
- Either cannot be paid to the Company unless the proceeds represent surplus assets not needed to meet all the benefit obligations or are a reimbursement for benefits already paid by the Company.

Insurance policies that do not meet the above criteria are treated as non-current investments and are held at fair value as long-term financial assets in the consolidated balance sheets.

3. Summary of material accounting policies (continued)

EMPLOYEE BENEFITS (CONTINUED)

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

The current service cost is recognized in the consolidated statements of earnings under costs of services, selling and administrative. The net interest cost calculated by applying the discount rate to the net defined benefit liabilities or assets is recognized as net finance cost or income. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past services or the gains or losses on curtailment is recognized immediately in the consolidated statements of earnings. The gains or losses on the settlement of a defined benefit plan are recognized when the settlement occurs.

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

ADOPTION OF ACCOUNTING STANDARD

The following standard amendments have been adopted by the Company on October 1, 2022:

Onerous contracts – Cost of Fulfilling a Contract - Amendments to IAS 37

In May 2020, the IASB amended IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The standard amendments clarify that for assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental cost of fulfilling that contract and an allocation of other costs that relates directly to fulfilling the contract.

The implementation of these standard amendments resulted in no significant impact on the Company's consolidated financial statements.

The following standard amendments have been adopted by the Company on May 23, 2023:

International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

On May 23, 2023, the IASB issued standard amendments to IAS 12 *Income Taxes*, to address the Pillar Two model rules for domestic implementation of a 15% global minimum tax. The standard amendments introduce a temporary recognition exception in relation to accounting and disclosure for deferred taxes, which was immediately applied, arising from the implementation of the international tax reform. Remaining target disclosure requirements for affected entities such as current tax expense (income) related to Pillar Two income taxes, as well as, qualitative and quantitative information about an entity’s exposure to Pillar Two income taxes will only be effective as for the interim reporting period ending March 31, 2024.

At September 30, 2023, the application of the new standard amendments had no impact on the Company's consolidated financial statements.

The following standard amendments have been early adopted and applied retrospectively by the Company for the year ended September 30, 2023:

Disclosure of Accounting Policy Information – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB amended IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* to require the Company to disclose its material accounting policies rather than its significant accounting policies.

The implementation of these standard amendments resulted in no significant impact on the Company's consolidated financial statements.

3. Summary of material accounting policies (continued)

FUTURE ACCOUNTING STANDARD CHANGES

The following standard amendments are effective as of October 1, 2023:

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB amended IAS 8 *Accounting Policies, Changes in Accounting estimates and Errors* to introduce a definition of accounting estimates and to help entities distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

In May 2021, the IASB amended IAS 12 *Income Taxes*, to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences.

The implementation of these standard amendments will result in no impact on the Company's consolidated financial statements.

The following standard amendments have been issued and will be effective as of October 1, 2024 for the Company, with earlier application permitted. The Company is currently evaluating the impact of these standard amendments on its consolidated financial statements.

Classification of Liabilities as Current or Non-current and Information about long-term debt with covenants – Amendments to IAS 1

In January 2020, the IASB amended IAS 1 *Presentation of Financial Statements*, clarifying that the classification of liabilities as current or non-current is based on existing rights at the end of the reporting period, independent of whether the Company will exercise its right to defer settlement of a liability. Subsequently, in October 2022, the IASB introduced additional amendments to IAS 1, emphasizing that covenants for long-term debt, regardless whether the covenants were compliant after the reporting date, should not affect debt classification; instead, companies are required to disclose information about these covenants in the notes accompanying their financial statements.

Supplier finance arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB amended IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to introduce new disclosure requirements to enhance the transparency on supplier finance arrangements and their impact on the Company’s liabilities, cash flows and liquidity exposure. The new disclosure requirements will include information such as terms and conditions, the carrying amount of liabilities, the range of payment due dates, non-cash changes and liquidity risk information around supplier finance arrangements.

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

4. Accounts receivable

	As at September 30, 2023	As at September 30, 2022
	$	$
Trade (Note 32)	**1,152,880**	1,106,187
R&D and other tax credits[1]	**157,668**	163,608
Discount incentives	**57,714**	47,906
Other	**56,855**	45,844
	1,425,117	1,363,545

[1] R&D and other tax credits were related to government programs mainly in Canada, the United States, and France.

5. Funds held for clients

	As at September 30, 2023	As at September 30, 2022
	$	$
Cash (Note 32)	**269,792**	504,726
Short-term investments	**80,000**	—
Long-term bonds (Note 32)	**138,935**	94,113
	488,727	598,839

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

6. Property, plant and equipment

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Total
	$	**$**	**$**	**$**	**$**
Cost					
As at September 30, 2022	77,371	262,972	152,083	598,725	1,091,151
Additions	1,933	29,301	16,145	111,011	158,390
Disposals/retirements	(167)	(39,269)	(20,477)	(100,769)	(160,682)
Foreign currency translation adjustment	2,244	3,800	1,520	11,404	18,968
As at September 30, 2023	**81,381**	**256,804**	**149,271**	**620,371**	**1,107,827**
Accumulated depreciation					
As at September 30, 2022	23,467	170,647	101,302	426,127	721,543
Depreciation expense (Note 24)	3,234	28,697	12,675	98,759	143,365
Impairment (Note 24)	—	2,163	423	—	2,586
Disposals/retirements	(167)	(39,269)	(20,477)	(100,769)	(160,682)
Foreign currency translation adjustment	445	3,022	787	7,485	11,739
As at September 30, 2023	**26,979**	**165,260**	**94,710**	**431,602**	**718,551**
Net carrying amount as at September 30, 2023	**54,402**	**91,544**	**54,561**	**188,769**	**389,276**

	Land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Total
	$	$	$	$	$
Cost					
As at September 30, 2021	78,907	244,824	150,617	592,892	1,067,240
Additions	5,202	24,040	9,344	117,196	155,782
Additions - business acquisitions (Note 27c)	—	4,776	984	2,404	8,164
Disposals/retirements	(4,116)	(6,997)	(6,466)	(88,261)	(105,840)
Foreign currency translation adjustment	(2,622)	(3,671)	(2,396)	(25,506)	(34,195)
As at September 30, 2022	77,371	262,972	152,083	598,725	1,091,151
Accumulated depreciation					
As at September 30, 2021	21,961	156,012	97,693	439,482	715,148
Depreciation expense (Note 24)	2,888	24,127	11,815	94,821	133,651
Impairment (Note 24)	—	858	—	—	858
Disposals/retirements	(893)	(6,958)	(6,424)	(88,261)	(102,536)
Foreign currency translation adjustment	(489)	(3,392)	(1,782)	(19,915)	(25,578)
As at September 30, 2022	23,467	170,647	101,302	426,127	721,543
Net carrying amount as at September 30, 2022	53,904	92,325	50,781	172,598	369,608

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

7. Right-of-use assets

	Properties	Motor vehicles and others	Computer equipment	Total
	$	$	$	$
Cost				
As at September 30, 2022	1,049,445	180,164	40,689	1,270,298
Additions	32,772	48,883	1,030	82,685
Change in estimates and lease modifications	13,940	—	—	13,940
Disposals/retirements	(101,670)	(36,792)	(3,121)	(141,583)
Foreign currency translation adjustment	28,423	7,246	345	36,014
As at September 30, 2023	**1,022,910**	**199,501**	**38,943**	**1,261,354**
Accumulated depreciation				
As at September 30, 2022	610,007	88,923	36,247	735,177
Depreciation expense (Note 24)	103,249	36,988	2,793	143,030
Impairment (Note 24)	9,649	—	—	9,649
Disposals/retirements	(94,676)	(31,700)	(3,121)	(129,497)
Foreign currency translation adjustment	15,792	4,589	293	20,674
As at September 30, 2023	**644,021**	**98,800**	**36,212**	**779,033**
Net carrying amount as at September 30, 2023	**378,889**	**100,701**	**2,731**	**482,321**

	Properties	Motor vehicles and others	Computer equipment	Total
	$	$	$	$
Cost				
As at September 30, 2021	1,080,867	174,354	39,093	1,294,314
Additions	90,830	25,554	3,683	120,067
Additions - business acquisitions (Note 27c)	21,622	492	—	22,114
Change in estimates and lease modifications	(7,946)	—	—	(7,946)
Disposals/retirements	(88,546)	(11,704)	—	(100,250)
Foreign currency translation adjustment	(47,382)	(8,532)	(2,087)	(58,001)
As at September 30, 2022	1,049,445	180,164	40,689	1,270,298
Accumulated depreciation				
As at September 30, 2021	606,558	67,975	33,574	708,107
Depreciation expense (Note 24)	103,489	33,260	4,546	141,295
Impairment (Note 24)	3,858	—	—	3,858
Disposals/retirements	(74,973)	(7,749)	—	(82,722)
Foreign currency translation adjustment	(28,925)	(4,563)	(1,873)	(35,361)
As at September 30, 2022	610,007	88,923	36,247	735,177
Net carrying amount as at September 30, 2022	439,438	91,241	4,442	535,121

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

8. Contract costs

	As at September 30, 2023			As at September 30, 2022		
	Cost	**Accumulated amortization and impairment**	**Net carrying amount**	Cost	Accumulated amortization and impairment	Net carrying amount
	$	**$**	**$**	$	$	$
Transition costs	**549,848**	**250,847**	**299,001**	481,836	225,468	256,368
Incentives	**52,331**	**42,886**	**9,445**	50,331	45,087	5,244
	602,179	**293,733**	**308,446**	532,167	270,555	261,612

9. Intangible assets

	Software	**Software internally developed**	**Business solutions acquired**	**Business solutions internally developed**	**Client relationships**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Cost						
As at September 30, 2022	238,940	104,486	78,580	734,021	1,231,393	2,387,420
Additions	33,963	9,130	19,811	111,894	—	174,798
Business acquisitions (Note 27c)	—	—	—	—	(8,951)	(8,951)
Disposals/retirements	(49,103)	(3,900)	(9,002)	—	—	(62,005)
Foreign currency translation adjustment	4,873	509	750	(4,175)	25,627	27,584
As at September 30, 2023	**228,673**	**110,225**	**90,139**	**841,740**	**1,248,069**	**2,518,846**
Accumulated amortization and impairment						
As at September 30, 2022	189,639	65,323	73,094	408,298	1,035,107	1,771,461
Amortization expense (Note 24)	30,475	13,421	3,274	69,053	47,824	164,047
Disposals/retirements	(49,103)	(3,900)	(9,002)	—	—	(62,005)
Foreign currency translation adjustment	4,227	343	588	(2,889)	19,971	22,240
As at September 30, 2023	**175,238**	**75,187**	**67,954**	**474,462**	**1,102,902**	**1,895,743**
Net carrying amount as at September 30, 2023	**53,435**	**35,038**	**22,185**	**367,278**	**145,167**	**623,103**

	Software	Software internally developed	Business solutions acquired	Business solutions internally developed	Client relationships	Total
	$	$	$	$	$	$
Cost						
As at September 30, 2021	246,584	98,891	78,641	624,850	1,154,620	2,203,586
Additions	23,400	10,111	1,160	103,309	—	137,980
Additions - business acquisitions (Note 27c)	3,479	—	1,630	—	105,538	110,647
Disposals/retirements	(29,419)	(2,647)	(2,007)	(28,932)	—	(63,005)
Foreign currency translation adjustment	(5,104)	(1,869)	(844)	34,794	(28,765)	(1,788)
As at September 30, 2022	238,940	104,486	78,580	734,021	1,231,393	2,387,420
Accumulated amortization and impairment						
As at September 30, 2021	196,504	53,834	72,731	365,597	1,008,127	1,696,793
Amortization expense (Note 24)	26,603	14,711	3,201	48,211	47,214	139,940
Impairment (Note 24)	—	519	—	2,840	—	3,359
Disposals/retirements	(29,419)	(2,647)	(2,007)	(28,932)	—	(63,005)
Foreign currency translation adjustment	(4,049)	(1,094)	(831)	20,582	(20,234)	(5,626)
As at September 30, 2022	189,639	65,323	73,094	408,298	1,035,107	1,771,461
Net carrying amount as at September 30, 2022	49,301	39,163	5,486	325,723	196,286	615,959

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

10. Other long-term assets

	As at September 30, 2023	As at September 30, 2022
	$	$
Long-term prepaid services	**28,674**	28,720
Insurance contracts held to fund defined benefit pension and life assurance arrangements - reimbursement rights (Note 17)	**19,458**	18,877
Retirement benefits assets (Note 17)	**836**	47,071
Deposits	**15,634**	17,189
Deferred financing fees	**2,531**	2,827
Other	**17,643**	24,982
	84,776	139,666

11. Long-term financial assets

	As at September 30, 2023	As at September 30, 2022
	$	$
Deferred compensation plan assets (Notes 17 and 32)	**88,076**	71,863
Long-term investments (Note 32)	**17,113**	16,826
Long-term receivables	**20,774**	10,590
Long-term derivative financial instruments (Note 32)	**22,005**	237,877
	147,968	337,156

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

12. Goodwill

The following tables present information on the Company's operations which are managed through the following nine operating segments: Western and Southern Europe (primarily France, Portugal and Spain); United States (U.S.) Commercial and State Government; Canada; U.S. Federal; Scandinavia and Central Europe (Germany, Sweden and Norway); United Kingdom (U.K.) and Australia; Finland, Poland and Baltics; Northwest and Central-East Europe (primarily Netherlands, Denmark and Czech Republic); and Asia Pacific Global Delivery Centers of Excellence (mainly India and Philippines) (Asia Pacific).

The operating segments reflect the current management structure and the way that the chief operating decision-maker, who is the President and Chief Executive Officer of the Company, evaluates the business.

The Company completed the annual impairment test during the fourth quarter of the fiscal year 2023 and did not identify any impairment.

The movements in goodwill were as follows:

	Western and Southern Europe	**U.S. Commercial and State Government**	**Canada**	**U.S. Federal**	**Scandinavia and Central Europe**	**U.K. and Australia**	**Finland, Poland and Baltics**	**Northwest and Central-East Europe**	**Asia Pacific**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
As at September 30, 2022	1,440,019	1,278,176	1,142,148	1,108,267	1,345,346	834,960	567,628	501,307	263,605	8,481,456
Business acquisitions (Note 27)	21,001	—	—	—	—	(67)	—	—	—	20,934
Foreign currency translation adjustment	94,710	(19,799)	—	(17,564)	37,970	61,916	37,257	30,822	(3,252)	222,060
As at September 30, 2023	**1,555,730**	**1,258,377**	**1,142,148**	**1,090,703**	**1,383,316**	**896,809**	**604,885**	**532,129**	**260,353**	**8,724,450**

Key assumptions in goodwill impairment testing

The key assumptions for the CGUs are disclosed in the following tables for the years ended September 30:

2023	**Western and Southern Europe**	**U.S. Commercial and State Government**	**Canada**	**U.S. Federal**	**Scandinavia and Central Europe**	**U.K. and Australia**	**Finland, Poland and Baltics**	**Northwest and Central-East Europe**	**Asia Pacific**
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Pre-tax WACC	**11.7**	**11.9**	**11.0**	**10.3**	**12.1**	**13.7**	**12.2**	**12.1**	**20.3**
Long-term growth rate of net operating cash flows[1]	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**

2022	Western and Southern Europe	U.S. Commercial and State Government	Canada	U.S. Federal	Scandinavia and Central Europe	U.K. and Australia	Finland, Poland and Baltics	Northwest and Central-East Europe	Asia Pacific
	%	%	%	%	%	%	%	%	%
Pre-tax WACC	10.0	10.6	10.7	9.2	10.5	10.6	10.7	10.7	19.2
Long-term growth rate of net operating cash flows[1]	1.8	2.0	2.0	2.0	2.0	1.9	2.0	1.9	2.0

[1] The long-term growth rate is based on the lower of published industry research growth and 2.0%.

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

13. Provisions

	Severances[1]	Decommissioning liabilities[2]	Others[3]	Total
	$	$	$	$
As at September 30, 2022	10,644	22,930	17,011	50,585
Additional provisions	25,839	1,771	18,608	46,218
Utilized amounts	(30,038)	(4,337)	(15,237)	(49,612)
Reversals of unused amounts	(1,322)	(1,680)	(2,634)	(5,636)
Discount rate adjustment and imputed interest	—	186	—	186
Foreign currency translation adjustment	596	1,102	724	2,422
As at September 30, 2023	**5,719**	**19,972**	**18,472**	**44,163**
Current portion	**5,719**	**3,717**	**15,529**	**24,965**
Non-current portion	**—**	**16,255**	**2,943**	**19,198**

1 See Note 25, Cost optimization program and Note 27d), Investments in subsidiaries.

2 As at September 30, 2023, the decommissioning liabilities were based on the expected cash flows of $20,573,000 and were discounted at a weighted average rate of 0.98%. The timing of settlements of these obligations ranges between one and seventeen years as at September 30, 2023. The reversals of unused amounts are mostly due to favourable settlements.

3 As at September 30, 2023, others included provisions on revenue-generating contracts, litigation and claims as well as onerous supplier contracts, mainly under the cost optimization program (Note 25) and acquisition-related and integration costs (Note 27d).

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

14. Long-term debt

	As at September 30, 2023	As at September 30, 2022
	$	$
2014 U.S. Senior unsecured notes repayable, in two tranches, totaling $473,830 (U.S. $350,000) in September 2024[1]	**473,808**	550,177
2021 U.S. Senior unsecured notes of $812,280 (U.S.$600,000) repayable in September 2026 and of $541,520 (U.S.$400,000) repayable in September 2031[2]	**1,342,714**	1,361,974
2021 CAD Senior unsecured notes of $600,000 repayable in September 2028[3]	**596,550**	595,900
Unsecured committed term loan credit facility[4]	**676,886**	687,705
Other long-term debt	**10,363**	71,278
	3,100,321	3,267,034
Current portion	**1,158,971**	93,447
	1,941,350	3,173,587

[1] As at September 30, 2023, an amount of $473,830,000 was borrowed, less financing fees. The private placement is comprised of two tranches of Senior U.S. unsecured notes with a maturity of 1 year and a weighted average interest rate of 4.01% (3.98% in 2022) (2014 U.S. Senior Notes). In September 2023, the Company repaid the sixth of the seven yearly scheduled repayments of U.S.$50,000,000 on a tranche of the Senior U.S. unsecured notes for a total amount of $67,765,000 and settled the related cross-currency swaps (Note 32). The Senior unsecured notes contain covenants that require the Company to maintain certain financial ratios (Note 33). As at September 30, 2023, the Company was in compliance with these covenants.

[2] As at September 30, 2023, an amount of $1,353,800,000 was borrowed less financing fees. The 2021 U.S. Senior Notes are comprised of two series of Senior U.S. unsecured notes with a weighted average maturity of 5 years and a weighted average interest rate of 1.79%.

[3] As at September 30, 2023, an amount of $600,000,000 was borrowed, less financing fees. The 2021 CAD Senior Notes are due in September 2028, with an interest rate of 2.10%.

[4] As at September 30, 2023, an amount of $676,900,000 was borrowed, less financing fees. This facility bears interest based on the 1 month Secured Overnight Financing Rate (SOFR) rate, plus a variable margin that is determined based on the Company's leverage ratio. The unsecured committed term loan credit facility is due in December 2023, with an interest rate of 6.43%. The unsecured committed term loan credit facility contains covenants that require the Company to maintain certain financial ratios (Note 33). As at September 30, 2023, the Company was in compliance with these covenants.

As a result of the interbank offered rates (IBORs) reform and the related expiry of the USD London Interbank Offered Rate (Libor) rate effective June 30, 2023, the Company renegotiated the unsecured committed term loan credit facility and the related cross-currency interest rate swaps (the hedging instruments) both expiring in December 2023 to transition to the 1 month Secured Overnight Financing Rate (SOFR) rate from the 1 month USD Libor rate. The change in rate resulted in no significant impact on the Company's consolidated financial statements.

The Company has an unsecured committed revolving credit facility available for an amount of $1,500,000,000 that expires in November 2027. This facility bears interest at variable reference rate benchmarks, plus a variable margin that is determined based on the Company's leverage ratio. As at September 30, 2023, there was no amount drawn upon this facility. An amount of $4,142,000 has been committed against this facility to cover various letters of credit issued for clients and other parties. On November 6, 2023, the unsecured committed revolving credit facility was extended by one year to November 6, 2028 and can be further extended. There were no material changes in the terms and conditions including interest rates and banking covenants. The unsecured committed revolving credit facility contains covenants that require the Company to maintain certain financial ratios (Note 33). As at September 30, 2023, the Company was in compliance with these covenants.

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

15. Other long-term liabilities

	As at September 30, 2023	As at September 30, 2022
	$	$
Deferred revenue	**112,370**	90,371
Deferred compensation plan liabilities (Note 17)	**97,745**	81,452
Other	**33,477**	20,285
	243,592	192,108

16. Income taxes

	Year ended September 30	
	2023	2022
	$	$
Current income tax expense		
Current income tax expense in respect of the current year	**697,402**	506,608
Adjustments recognized in the current year in relation to the income tax expense of prior years	**(21,242)**	1,705
Total current income tax expense	**676,160**	508,313
Deferred income tax recovery		
Deferred income tax (recovery) expense relating to the origination and reversal of temporary differences	**(119,249)**	359
Adjustments recognized in the current year in relation to the deferred income tax recovery of prior years	**9,753**	(7,855)
Total deferred income tax recovery	**(109,496)**	(7,496)
Total income tax expense	**566,664**	500,817

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

	Year ended September 30	
	2023	2022
	%	%
Company's statutory tax rate	**26.5**	26.5
Effect of foreign tax rate differences	**(0.6)**	(1.0)
Final determination from agreements with tax authorities and expirations of statutes of limitations	**(0.5)**	(0.4)
Non-deductible and tax exempt items	**0.1**	—
Minimum income tax charge	**0.3**	0.4
Effective income tax rate	**25.8**	25.5

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

16. Income taxes (continued)

The continuity schedule of deferred tax balances is as follows:

	As at September 30, 2022	**Additions from business acquisitions**	**Recognized in earnings**	**Recognized in other comprehensive income**	**Recognized in equity**	**Foreign currency translation adjustment and other**	**As at September 30, 2023**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities, provisions and other long-term liabilities	40,214	—	4,007	—	—	(548)	**43,673**
Tax benefits on losses carried forward	51,963	—	2,928	—	—	1,187	**56,078**
Accrued compensation and employee-related liabilities	51,136	—	14,531	—	2,623	636	**68,926**
Retirement benefits obligations	19,517	—	(5,601)	13,078	—	249	**27,243**
Capitalized research and development[1]		—	92,880	—	—	—	**92,880**
Lease liabilities	171,072	—	(5,750)	—	—	3,966	**169,288**
PP&E, contract costs, intangible assets and other long-term assets	(151,054)	2,540	23,567	—	—	1,230	**(123,717)**
Right-of-use assets	(132,757)	—	(6,709)	—	—	(3,945)	**(143,411)**
Work in progress	(12,828)	—	(1,283)	—	—	(261)	**(14,372)**
Goodwill	(81,617)	—	(6,653)	—	—	1,011	**(87,259)**
Refundable tax credits on salaries	(20,049)	—	(2,517)	—	—	(2)	**(22,568)**
Cash flow hedges	(10,398)	—	(55)	6,445	—	(2)	**(4,010)**
Other	3,190	—	151	9,339	—	(1,080)	**11,600**
Deferred taxes, net	**(71,611)**	**2,540**	**109,496**	**28,862**	**2,623**	**2,441**	**74,351**

[1] As required by the *U.S. 2017 Tax Cuts and Jobs Act*, effective October 1, 2022, research and development expenditures are capitalized and amortized which resulted in higher current tax expense for 2023 with an equal amount of deferred tax recovery.

	As at September 30, 2021	Additions from business acquisitions	Recognized in earnings	Recognized in other comprehensive income	Recognized in equity	Foreign currency translation adjustment and other	As at September 30, 2022
	$	$	$	$	$	$	$
Accounts payable and accrued liabilities, provisions and other long-term liabilities	51,156	6,986	(20,232)	—	—	2,304	40,214
Tax benefits on losses carried forward	43,181	1,489	9,450	—	—	(2,157)	51,963
Accrued compensation and employee-related liabilities	40,108	141	17,724	—	(7,194)	357	51,136
Retirement benefits obligations	17,561	2,425	(2,082)	1,011	—	602	19,517
Lease liabilities	179,318	1,577	252	—	—	(10,075)	171,072
PP&E, contract costs, intangible assets and other long-term assets	(121,309)	(27,347)	5,912	—	—	(8,310)	(151,054)
Right-of-use assets	(134,808)	(1,405)	(6,179)	—	—	9,635	(132,757)
Work in progress	(22,190)	—	9,018	—	—	344	(12,828)
Goodwill	(70,845)	—	(5,619)	—	—	(5,153)	(81,617)
Refundable tax credits on salaries	(19,673)	—	(376)	—	—	—	(20,049)
Cash flow hedges	(5,626)	—	4,333	(9,146)	—	41	(10,398)
Other	7,447	180	(4,705)	(223)	—	491	3,190
Deferred taxes, net	(35,680)	(15,954)	7,496	(8,358)	(7,194)	(11,921)	(71,611)

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

16. Income taxes (continued)

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

	As at September 30, 2023	As at September 30, 2022
	$	$
Deferred tax assets	**105,432**	85,795
Deferred tax liabilities	**(31,081)**	(157,406)
	74,351	(71,611)

As at September 30, 2023, the Company had $279,918,000 ($258,244,000 as at September 30, 2022) in operating tax losses carried forward, of which $104,113,000 ($110,918,000 as at September 30, 2022) expire at various dates from 2029 to 2043 and $175,805,000 ($147,326,000 as at September 30, 2022) have no expiry dates. As at September 30, 2023, a deferred income tax asset of $49,742,000 ($46,893,000 as at September 30, 2022) has been recognized on $187,865,000 ($179,329,000 as at September 30, 2022) of these losses. The deferred income tax assets are recognized only to the extent that it is probable that taxable income will be available against which the unused tax losses can be utilized. As at September 30, 2023, the Company had $7,314,000 ($12,450,000 as at September 30, 2022) of unrecognized operating tax losses that will expire at various dates from 2029 to 2032 and $84,739,000 ($66,466,000 as at September 30, 2022) that have no expiry date.

As at September 30, 2023, the Company had $424,736,000 ($421,218,000 as at September 30, 2022) in non-operating tax losses carried forward that have no expiry dates. As at September 30, 2023, a deferred income tax asset of $6,336,000 ($5,070,000 as at September 30, 2022) has been recognized on $24,806,000 ($20,295,000 as at September 30, 2022) of these losses. As at September 30, 2023, the Company had $399,930,000 ($400,923,000 as at September 30, 2022) of unrecognized non-operating tax losses.

As at September 30, 2023, the Company had $1,365,975,000 ($907,578,000 as at September 30, 2022) of cash and cash equivalents held by foreign subsidiaries. The tax implications of the repatriation of cash and cash equivalents not considered indefinitely reinvested have been accounted for and will not materially affect the Company's liquidity. In addition, the Company has not recorded deferred tax liabilities on undistributed earnings of $8,262,337,000 ($7,100,148,000 as at September 30, 2022) coming from its foreign subsidiaries as they are considered indefinitely reinvested. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to taxation.

17. Employee benefits

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

DEFINED BENEFIT PLANS

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

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

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

U.K.

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

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

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

The trustees are the custodians of the defined benefit pension plans and are responsible for the plan administration, including investment strategies. The trustees review periodically the investment and the asset allocation policies. As such, the CMG U.K. Pension Scheme policy is to target an allocation up to a maximum of 65% to return-seeking assets such as equities; the Logica U.K. Pension & Life Assurance Scheme policy is to invest 15% of the scheme assets in equities and 85% in bonds; and the Logica Defined Benefit Pension Plan policy is to invest 10% of the plan assets in equities and 90% in bonds.

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

The latest funding actuarial valuations of the three defined benefit pension plans described above were being performed as at September 30, 2021 and the results were finalized during the year ended September 30, 2022 with the following recommendations:

- The actuarial valuation of the CMG U.K. Pension Scheme reported a surplus of $34,707,000. It specified that no supplementary contributions were required in order to reach the plan funding objectives. Since January 1, 2022, the Company did not contribute to the plan; and
- The actuarial valuation of the Logica U.K. Pension & Life Assurance Scheme reported a surplus of $85,000. It specified that no supplementary contributions were required in order to reach the plan funding objectives. During fiscal 2023, the Company contributed an amount of $339,000 to cover service costs; and
- The actuarial valuation of the Logica Defined Benefit Pension Plan reported a surplus of $17,819,000. It specified that no supplementary contributions were required in order to reach the plan funding objectives. Since November 30, 2019, the Company did not contribute to the plan.

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

17. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

France

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

Germany

In Germany, the Company has numerous defined benefit pension plans which are all closed to new employees. In the majority of the plans, upon retirement of employees, the benefits are in the form of a monthly pension and in a few plans, the employees receive an indemnity in the form of a lump-sum payment. There are no mandatory funding requirements. The plans are funded by the contributions made by the Company. In some plans, insurance policies are taken out to fund retirement benefit plans. These do not qualify as plan assets and are presented as reimbursement rights, unless they are part of a reinsured support fund or are pledged to the employees.

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

As at September 30, 2023	**U.K.**	**France**	**Germany**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
Defined benefit obligations	**(535,633)**	**(78,612)**	**(67,706)**	**(92,703)**	**(774,654)**
Fair value of plan assets	**536,226**	**—**	**11,747**	**64,138**	**612,111**
	593	**(78,612)**	**(55,959)**	**(28,565)**	**(162,543)**
Fair value of reimbursement rights	**—**	**—**	**19,082**	**376**	**19,458**
Net asset (liability) recognized in the balance sheet	**593**	**(78,612)**	**(36,877)**	**(28,189)**	**(143,085)**
Presented as:					
Other long-term assets (Note 10)					
Insurance contracts held to fund defined benefit pension and life assurance arrangements - reimbursement rights	**—**	**—**	**19,082**	**376**	**19,458**
Retirement benefits assets	**593**	**—**	**—**	**243**	**836**
Retirement benefits obligations	**—**	**(78,612)**	**(55,959)**	**(28,808)**	**(163,379)**
	593	**(78,612)**	**(36,877)**	**(28,189)**	**(143,085)**

As at September 30, 2022	U.K.	France	Germany	Other	Total
	$	$	$	$	$
Defined benefit obligations	(525,262)	(77,477)	(61,420)	(85,784)	(749,943)
Fair value of plan assets	571,909	—	11,028	59,032	641,969
	46,647	(77,477)	(50,392)	(26,752)	(107,974)
Fair value of reimbursement rights	—	—	18,495	382	18,877
Net asset (liability) recognized in the balance sheet	46,647	(77,477)	(31,897)	(26,370)	(89,097)
Presented as:					
Other long-term assets (Note 10)					
Insurance contracts held to fund defined benefit pension and life assurance arrangements - reimbursement rights	—	—	18,495	382	18,877
Retirement benefits assets	46,647	—	—	424	47,071
Retirement benefits obligations	—	(77,477)	(50,392)	(27,176)	(155,045)
	46,647	(77,477)	(31,897)	(26,370)	(89,097)

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

17. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

Defined benefit obligations	**U.K.**	**France**	**Germany**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
As at September 30, 2022	525,262	77,477	61,420	85,784	749,943
Current service cost	997	6,106	379	6,251	13,733
Interest cost	27,445	3,093	2,600	4,414	37,552
Past service cost	—	(288)	—	—	(288)
Actuarial (gains) losses due to change in financial assumptions[1]	(54,598)	(4,575)	65	(1,581)	(60,689)
Actuarial (gains) losses due to change in demographic assumptions[1]	(12,077)	88	—	2	(11,987)
Actuarial losses (gains) due to experience[1]	33,349	(6,035)	2,571	3,496	33,381
Plan participant contributions	76	—	—	170	246
Benefits paid from the plan	(26,527)	—	(229)	(4,359)	(31,115)
Benefits paid directly by employer	—	(2,565)	(2,992)	(747)	(6,304)
Foreign currency translation adjustment[1]	41,706	5,311	3,892	(727)	50,182
As at September 30, 2023	**535,633**	**78,612**	**67,706**	**92,703**	**774,654**
Defined benefit obligations of unfunded plans	—	78,612	—	18,132	96,744
Defined benefit obligations of funded plans	535,633	—	67,706	74,571	677,910
As at September 30, 2023	**535,633**	**78,612**	**67,706**	**92,703**	**774,654**

Defined benefit obligations	U.K.	France	Germany	Other	Total
	$	$	$	$	$
As at September 30, 2021	881,008	77,006	94,381	108,561	1,160,956
Current service cost	1,114	5,673	531	5,735	13,053
Interest cost	16,877	740	768	2,969	21,354
Business acquisitions (Note 27c)	—	10,192	—	—	10,192
Actuarial gains due to change in financial assumptions[1]	(285,653)	(20,586)	(25,735)	(10,104)	(342,078)
Actuarial losses (gains) due to change in demographic assumptions[1]	7,882	921	—	(520)	8,283
Actuarial losses due to experience[1]	4,081	12,112	2,214	4,682	23,089
Plan participant contributions	80	—	—	186	266
Benefits paid from the plan	(24,018)	(622)	(647)	(6,421)	(31,708)
Benefits paid directly by employer	—	(1,318)	(2,848)	(866)	(5,032)
Foreign currency translation adjustment[1]	(76,109)	(6,641)	(7,244)	(6,444)	(96,438)
Other	—	—	—	(11,994)	(11,994)
As at September 30, 2022	525,262	77,477	61,420	85,784	749,943
Defined benefit obligations of unfunded plans	—	77,477	—	18,829	96,306
Defined benefit obligations of funded plans	525,262	—	61,420	66,955	653,637
As at September 30, 2022	525,262	77,477	61,420	85,784	749,943

[1] Amounts recognized in other comprehensive income.

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

17. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

Plan assets and reimbursement rights	**U.K.**	**France**	**Germany**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
As at September 30, 2022	571,909	—	29,523	59,414	660,846
Interest income on plan assets	29,902	—	1,283	3,370	34,555
Employer contributions	339	2,565	2,983	6,744	12,631
Return on assets excluding interest income[1]	(84,003)	—	(1,668)	(12)	(85,683)
Plan participant contributions	76	—	—	170	246
Benefits paid from the plan	(26,527)	—	(229)	(4,359)	(31,115)
Benefits paid directly by employer	—	(2,565)	(2,992)	(747)	(6,304)
Administration expenses paid from the plan	(1,779)	—	—	(5)	(1,784)
Foreign currency translation adjustment[1]	46,309	—	1,929	(61)	48,177
As at September 30, 2023	**536,226**	**—**	**30,829**	**64,514**	**631,569**
Plan assets	536,226	—	11,747	64,138	612,111
Reimbursement rights	—	—	19,082	376	19,458
As at September 30, 2023	**536,226**	**—**	**30,829**	**64,514**	**631,569**

Plan assets and reimbursement rights	U.K.	France	Germany	Other	Total
	$	$	$	$	$
As at September 30, 2021	986,359	661	33,057	63,869	1,083,946
Interest income on plan assets	18,901	—	274	2,128	21,303
Employer contributions	1,007	1,318	2,638	4,449	9,412
Return on assets excluding interest income[1]	(324,003)	—	(214)	(1,003)	(325,220)
Plan participant contributions	80	—	—	578	658
Benefits paid from the plan	(24,018)	(622)	(647)	(6,421)	(31,708)
Benefits paid directly by employer	—	(1,318)	(2,848)	(866)	(5,032)
Administration expenses paid from the plan	(1,568)	—	—	(7)	(1,575)
Foreign currency translation adjustment[1]	(84,849)	(39)	(2,737)	(3,313)	(90,938)
As at September 30, 2022	571,909	—	29,523	59,414	660,846
Plan assets	571,909	—	11,028	59,032	641,969
Reimbursement rights	—	—	18,495	382	18,877
As at September 30, 2022	571,909	—	29,523	59,414	660,846

1 Amounts recognized in other comprehensive income.

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

17. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

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

As at September 30, 2023	U.K.	Germany	Other	Total
	$	$	$	$
Quoted equities	205,130	—	—	205,130
Quoted bonds	139,584	—	—	139,584
Cash	5,566	—	76	5,642
Other[1]	185,946	11,747	64,062	261,755
	536,226	**11,747**	**64,138**	**612,111**

As at September 30, 2022	U.K.	Germany	Other	Total
	$	$	$	$
Quoted equities	196,611	—	—	196,611
Quoted bonds	102,658	—	—	102,658
Cash	143,312	—	65	143,377
Other[1]	129,328	11,028	58,967	199,323
	571,909	11,028	59,032	641,969

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

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

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

	Year ended September 30	
	2023	2022
	$	$
Current service cost	**13,734**	13,053
Past service cost	**(288)**	—
Net interest on net defined benefit obligations or assets	**2,998**	51
Administration expenses	**1,784**	1,575
	18,228	14,679

[1] The expense was presented as costs of services, selling and administrative for an amount of $13,446,000 and as net finance costs for an amount of $4,782,000 (Note 26) ($13,053,000 and $1,626,000, respectively for the year ended September 30, 2022).

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

17. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

Actuarial assumptions

The following are the principal actuarial assumptions calculated as weighted averages of the defined benefit obligations. The assumed discount rates, future salary and pension increases, inflation rates and mortality all have a significant effect on the accounting valuation.

As at September 30, 2023	**U.K**	**France**	**Germany**	**Other**
	%	**%**	**%**	**%**
Discount rate	**5.60**	**4.20**	**4.06**	**5.62**
Future salary increases	**0.33**	**4.15**	**2.50**	**2.76**
Future pension increases	**3.20**	**—**	**2.10**	**0.29**
Inflation rate	**3.39**	**2.10**	**2.00**	**3.46**

As at September 30, 2022	U.K.	France	Germany	Other
	%	%	%	%
Discount rate	4.95	3.75	4.07	5.43
Future salary increases	0.35	3.77	2.50	2.64
Future pension increases	3.30	—	2.10	0.42
Inflation rate	3.60	2.20	2.00	3.44

The average longevity over 65 of an employee presently at age 45 and 65 are as follows:

As at September 30, 2023	**U.K.**	**Germany**
	(in years)	
Longevity at age 65 for current employees		
Males	**22.0**	**21.0**
Females	**23.8**	**24.0**
Longevity at age 45 for current employees		
Males	**23.4**	**24.0**
Females	**25.3**	**26.0**

As at September 30, 2022	U.K.	Germany
	(in years)	
Longevity at age 65 for current employees		
Males	22.0	21.0
Females	23.8	24.0
Longevity at age 45 for current employees		
Males	23.3	23.0
Females	25.3	26.0

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

17. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

Actuarial assumptions (continued)

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each country. Mortality assumptions for the most significant countries are based on the following post-retirement mortality tables for the year ended September 30, 2023: (1) U.K.: 100% S2PxA (year of birth) plus CMI_2020 projections with 1.25% p.a. minimum long term improvement rate, (2) Germany: Heubeck RT2018G and (3) France: INSEE TVTD 2017-2019.

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

As at September 30, 2023	**U.K.**	**France**	**Germany**
	$	**$**	**$**
Increase of 0.25% in the discount rate	**(15,631)**	**(2,370)**	**(1,596)**
Decrease of 0.25% in the discount rate	**16,416**	**2,473**	**1,663**
Salary increase of 0.25%	**137**	**2,572**	**23**
Salary decrease of 0.25%	**(132)**	**(2,474)**	**(21)**
Pension increase of 0.25%	**8,713**	**—**	**834**
Pension decrease of 0.25%	**(8,503)**	**—**	**(805)**
Increase of 0.25% in inflation rate	**12,348**	**5,660**	**834**
Decrease of 0.25% in inflation rate	**(11,948)**	**(5,110)**	**(805)**
Increase of one year in life expectancy	**12,614**	**943**	**1,702**
Decrease of one year in life expectancy	**(12,801)**	**(1,258)**	**(1,530)**

As at September 30, 2022	U.K.	France	Germany
	$	$	$
Increase of 0.25% in the discount rate	(19,249)	(2,294)	(1,512)
Decrease of 0.25% in the discount rate	20,234	2,500	1,578
Salary increase of 0.25%	193	2,584	20
Salary decrease of 0.25%	(188)	(2,388)	(19)
Pension increase of 0.25%	13,324	—	774
Pension decrease of 0.25%	(12,614)	—	(747)
Increase of 0.25% in inflation rate	21,301	2,584	774
Decrease of 0.25% in inflation rate	(16,005)	(2,388)	(747)
Increase of one year in life expectancy	12,957	281	1,511
Decrease of one year in life expectancy	(13,093)	(320)	(1,360)

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

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

	Year ended September 30	
	2023	2022
	(in years)	
U.K.	**13**	15
France	**13**	13
Germany	**10**	11
Other	**9**	10

17. Employee benefits (continued)

DEFINED BENEFIT PLANS (CONTINUED)

The Company expects to contribute $7,574,000 to defined benefit plans during the next year, of which $377,000 relates to the U.K. plans, and $7,197,000 relates to the other plans. The contributions will include new benefit accruals.

DEFINED CONTRIBUTION PLANS

The Company also operates defined contribution pension plans. In some countries, contributions are made into the state pension plans. The pension cost for defined contribution plans amounted to $282,284,000 in 2023 ($241,405,000 in 2022).

In addition, in Sweden, the Company contributes to a multi-employer plan, Alecta SE (Alecta) pension plan, which is a defined benefit pension plan. This pension plan is classified as a defined contribution plan as sufficient information is not available to use defined benefit accounting. Alecta lacks the possibility of establishing an exact distribution of assets and provisions to the respective employers. The Company's proportion of the total contributions to the plan is 0.57% and the Company's proportion of the total number of active employees in the plan is 0.48%.

Alecta uses a collective funding ratio to determine the surplus or deficit in the pension plan. Any surplus or deficit in the plan will affect the amount of future contributions payable. The collective funding is the difference between Alecta's assets and the commitments to the policy holders and insured individuals. The collective funding ratio is normally allowed to vary between 125% and 175%. As at September 30, 2023, Alecta collective funding ratio was 178% (189% in 2022). The plan expense was $25,311,000 in 2023 ($28,868,000 in 2022). The Company expects to contribute $14,867,000 to the plan during the next year.

OTHER BENEFIT PLANS

As at September 30, 2023, the deferred compensation liability totaled $97,745,000 ($81,452,000 as at September 30, 2022) (Note 15) and the deferred compensation assets totaled $88,076,000 ($71,863,000 as at September 30, 2022) (Note 11). The deferred compensation liability is mainly related to plans covering some of its U.S. management. Some of the plans include assets that will be used to fund the liabilities.

For the deferred compensation plan in the U.S., a trust was established so that the plan assets could be segregated; however, the assets are subject to the Company's general creditors in the case of bankruptcy. The assets composed of investments vary with employees' contributions and changes in the value of the investments. The change in liabilities associated with the plan is equal to the change of the assets. The assets in the trust and the associated liabilities totaled $88,076,000 as at September 30, 2023 ($71,863,000 as at September 30, 2022).

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

18. Accumulated other comprehensive income

	As at September 30, 2023	As at September 30, 2022
	$	$
Items that will be reclassified subsequently to net earnings:		
Net unrealized gains on translating financial statements of foreign operations, net of accumulated income tax expense of $44,867 ($45,419 as at September 30, 2022)	**534,321**	291,532
Net losses on cross-currency swaps and on translating long-term debt designated as hedges of net investments in foreign operations, net of accumulated income tax recovery of $49,991 ($43,936 as at September 30, 2022)	**(325,649)**	(271,690)
Deferred gains of hedging on cross-currency swaps, net of accumulated income tax expense of $1,754 ($4,664 as at September 30, 2022)	**13,541**	28,274
Net unrealized gains on cash flow hedges, net of accumulated income tax expense of $3,953 ($10,398 as at September 30, 2022)	**11,524**	30,274
Net unrealized losses on financial assets at fair value through other comprehensive income, net of accumulated income tax recovery of $1,189 (net of accumulated income tax expense of $1,367 as at September 30, 2022)	**(3,412)**	(4,072)
Items that will not be reclassified subsequently to net earnings:		
Net remeasurement losses on defined benefit plans, net of accumulated income tax recovery of $25,173 ($12,095 as at September 30, 2022)	**(71,350)**	(34,572)
	158,975	39,746

For the year ended September 30, 2023, $17,937,000 of the net unrealized gains on cash flow hedges, net of income tax expense of $6,278,000, previously recognized in other comprehensive income were reclassified in the consolidated statements of earnings ($4,151,000 and $998,000, respectively, were reclassified for the year ended September 30, 2022).

For the year ended September 30, 2023, $12,244,000 of the deferred gains of hedging on cross-currency swaps, net of income tax expense of $1,870,000, were also reclassified in the consolidated statements of earnings ($10,746,000 and $3,876,000, respectively for the year ended September 30, 2022).

19. Capital stock

The Company's authorized share capital is comprised of an unlimited number, all without par value, of:

- First preferred shares, issuable in series, carrying one vote per share, each series ranking equal with other series, but prior to second preferred shares, Class A subordinate voting shares and Class B multiple voting shares with respect to the payment of dividends;
- Second preferred shares, issuable in series, non-voting, each series ranking equal with other series, but prior to Class A subordinate voting shares and Class B multiple voting shares with respect to the payment of dividends;
- Class A subordinate voting shares, carrying one vote per share, participating equally with Class B multiple voting shares with respect to the payment of dividends and convertible into Class B multiple voting shares under certain conditions in the event of certain takeover bids on Class B multiple voting shares; and
- Class B multiple voting shares, carrying ten votes per share, participating equally with Class A subordinate voting shares with respect to the payment of dividends and convertible at any time at the option of the holder into Class A subordinate voting shares.

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

19. Capital stock (continued)

For the fiscal years 2023 and 2022, the number of issued and outstanding Class A subordinate voting shares and Class B multiple voting shares varied as follows:

	Class A subordinate voting shares		Class B multiple voting shares		Total	
	Number	Carrying value	Number	Carrying value	Number	Carrying value
		$		$		$
As at September 30, 2021	219,171,329	1,595,811	26,445,706	36,894	245,617,035	1,632,705
Release of shares held in trusts[1]	—	15,821	—	—	—	15,821
Purchased and held in trusts[1]	—	(70,303)	—	—	—	(70,303)
Issued upon exercise of stock options[2]	941,059	50,236	—	—	941,059	50,236
Purchased and cancelled[3]	(8,809,839)	(134,409)	—	—	(8,809,839)	(134,409)
Purchased and not cancelled[3]	—	(881)	—	—	—	(881)
As at September 30, 2022	211,302,549	1,456,275	26,445,706	36,894	237,748,255	1,493,169
Release of shares held in trusts[1]	—	13,680	—	—	—	13,680
Purchased and held in trusts[1]	—	(74,455)	—	—	—	(74,455)
Issued upon exercise of stock options[2]	1,646,044	106,051	—	—	1,646,044	106,051
Purchased and cancelled[3]	(6,234,096)	(61,265)	—	—	(6,234,096)	(61,265)
As at September 30, 2023	**206,714,497**	**1,440,286**	**26,445,706**	**36,894**	**233,160,203**	**1,477,180**

[1] During the year ended September 30, 2023, 172,018 shares held in trust were released (235,441 during the year ended September 30, 2022) with a recorded value of $13,680,000 ($15,821,000 during the year ended September 30, 2022) that was removed from contributed surplus.

During the year ended September 30, 2023, the Company settled the withholding tax obligations of the employees under the performance share units (PSU) plans for a cash payment of $13,879,000 (nil during the year ended September 30, 2022).

During the year ended September 30, 2023, the trustees, in accordance with the terms of the PSU plans and Trust Agreements, purchased 640,052 Class A subordinate voting shares of the Company on the open market (643,629 during the year ended September 30, 2022) for a cash consideration of $74,455,000 ($70,303,000 during the year ended September 30, 2022).

As at September 30, 2023, 2,309,743 Class A subordinate voting shares were held in trusts under the PSU plans (1,841,709 as at September 30, 2022).

[2] The carrying value of Class A subordinate voting shares includes $17,735,000 ($8,549,000 during the year ended September 30, 2022), which corresponds to a reduction in contributed surplus representing the value of accumulated compensation costs associated with the stock options exercised during the year ended September 30, 2023.

[3] On January 31, 2023, the Company's Board of Directors authorized and subsequently received regulatory approval from the Toronto Stock Exchange (TSX), for the renewal of the Normal Course Issuer Bid (NCIB) for the purchase for cancellation of up to 18,769,394 Class A subordinate voting shares on the open market through the TSX, the New York Stock Exchange (NYSE) and/or alternative trading systems or otherwise pursuant to exemption orders issued by securities regulators. The Class A subordinate voting shares are available for purchase for cancellation commencing on February 6, 2023, until no later than February 5, 2024, or on such earlier date when the Company has either acquired the maximum number of Class A subordinate voting shares allowable under the NCIB or elects to terminate the bid.

During the year ended September 30, 2023, the Company purchased for cancellation 2,857,550 Class A subordinate voting shares (3,866,171 during the year ended September 30, 2022) under its current NCIB for a cash consideration of $386,906,000 ($408,656,000 during the year ended September 30, 2022) and the excess of the purchase price over the carrying value in the amount of $363,747,000 ($378,340,000 during the year ended September 30, 2022) was charged to retained earnings. Of the purchased Class A subordinate voting shares, 68,550 shares with a carrying value of $558,000 and a purchase value of $9,177,000 were held by the Company and were paid and cancelled subsequent to September 30, 2023.

In addition, during the year ended September 30, 2023, the Company purchased for cancellation 3,344,996 Class A subordinate voting shares from the Caisse de dépôt et placement du Québec for a total cash consideration of $400,000,000 (4,907,073 and $500,000,000, respectively during the year ended September 30, 2022). The excess of the purchase price over the carrying value in the amount of $361,791,000 was charged to retained earnings ($395,026,000 during the year ended September 30, 2022). The purchase was made pursuant to an exemption order issued by the Autorité des marchés financiers and is considered within the annual aggregate limit that the Company is entitled to purchase under its current NCIB.

During the year ended September 30, 2023, the Company also paid for and cancelled 100,100 Class A subordinate voting shares under its previous NCIB, with a carrying value of $778,000 and for a total cash consideration of $10,291,000, which were purchased, or committed to be purchased, but not cancelled as at September 30, 2022.

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

20. Share-based payments

a) Performance share units

The Company operates two PSU plans with similar terms and conditions. Under both plans, the Board of Directors may grant PSUs to certain employees and officers which entitle them to receive one Class A subordinate voting share for each PSU. The vesting performance conditions are determined by the Board of Directors at the time of each grant. PSUs expire on the business day preceding December 31 of the third calendar year following the end of the fiscal year during which the PSU award was made, except in the event of retirement, termination of employment or death. Conditionally upon achievement of performance objectives, granted PSUs under the second plan vest at the end of the four-year period while granted PSUs under the first plan vest annually over a period of four years from the date of the grant.

Class A subordinate voting shares purchased in connection with the PSU plans are held in trusts for the benefit of the participants. The trusts, considered as structured entities, are consolidated in the Company's consolidated financial statements with the cost of the purchased shares recorded as a reduction of capital stock (Note 19).

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

Outstanding as at September 30, 2021	1,416,203
Granted[1]	805,699
Exercised (Note 19)	(237,294)
Forfeited	(175,017)
Outstanding as at September 30, 2022	1,809,591
Granted[1]	899,511
Exercised (Note 19)	(294,203)
Forfeited	(162,449)
Outstanding as at September 30, 2023	**2,252,450**

[1] The PSUs granted in 2023 had a weighted average grant date fair value of $112.49 per unit ($109.07 in 2022).

b) Stock options

Under the Company's stock option plan, the Board of Directors may grant, at its discretion, stock options to purchase Class A subordinate voting shares to certain employees, officers and directors of the Company and its subsidiaries. The exercise price is established by the Board of Directors and is equal to the closing price of the Class A subordinate voting shares on the TSX on the day preceding the date of the grant. Stock options generally vest over four years from the date of grant conditionally upon achievement of performance objectives and must be exercised within a ten-year period, except in the event of retirement, termination of employment or death. As at September 30, 2023, 15,353,015 Class A subordinate voting shares were reserved for issuance under the stock option plan.

The following table presents information concerning the outstanding stock options granted by the Company:

		2023		2022
	Number of options	**Weighted average exercise price per share**	Number of options	Weighted average exercise price per share
		$		$
Outstanding, beginning of year	**6,882,845**	**66.36**	8,012,077	64.49
Granted	**—**	**—**	11,940	110.10
Exercised (Note 19)	**(1,646,044)**	**53.65**	(941,059)	44.30
Forfeited	**(23,626)**	**99.78**	(188,130)	97.55
Expired	**(1,703)**	**102.70**	(11,983)	104.36
Outstanding, end of year	**5,211,472**	**70.21**	6,882,845	66.36
Exercisable, end of year	**4,772,088**	**67.46**	5,837,921	61.02

The weighted average share price at the date of exercise for stock options exercised in 2023 was $123.25 ($107.09 in 2022).

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

20. Share-based payments (continued)

b) Stock options (continued)

The following table summarizes information about the outstanding stock options granted by the Company as at September 30, 2023:

	Options outstanding			Options exercisable	
Range of exercise price	**Number of options**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
$		**(in years)**	**$**		**$**
34.68 to 41.63	**550,083**	**0.90**	**38.36**	**550,083**	**38.36**
47.36 to 52.63	**590,495**	**1.98**	**48.39**	**590,495**	**48.39**
55.51 to 63.23	**2,052,950**	**3.22**	**63.19**	**2,052,950**	**63.19**
67.04 to 85.62	**1,078,428**	**4.94**	**84.51**	**1,078,428**	**84.51**
97.84 to 115.01	**939,516**	**6.93**	**101.51**	**500,132**	**102.73**
	5,211,472	**3.86**	**70.21**	**4,772,088**	**67.46**

The weighted average fair value of stock options granted in the year and the weighted average assumptions used in the calculation of their fair value on the date of grant using the Black-Scholes option pricing model were as follows:

	Year ended September 30	
	2023	2022
Grant date fair value ($)	—	20.94
Dividend yield (%)	—	—
Expected volatility (%)[1]	—	21.27
Risk-free interest rate (%)	—	1.28
Expected life (years)	—	4.00
Exercise price ($)	—	110.10
Share price ($)	—	110.10

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

c) Share purchase plan

Under the share purchase plan, the Company contributes an amount equal to a percentage of the employee's basic contribution, up to a maximum of 3.50%. An employee may make additional contributions in excess of the basic contribution. However, the Company does not match contributions in the case of such additional contributions. The employee and Company's contributions are remitted to an independent plan administrator who purchases Class A subordinate voting shares on the open market on behalf of the employee through either the TSX or NYSE.

d) Deferred share unit plan

External members of the Board of Directors (participants) are entitled to receive part or their entire retainer fee in DSUs. DSUs are granted with immediate vesting and must be exercised no later than December 15 of the calendar year immediately following the calendar year during which the participant ceases to act as a director. Each DSU entitles the holder to receive a cash payment equal to the closing price of Class A subordinate voting shares on the TSX on the payment date. As at September 30, 2023, the number of outstanding DSUs was 122,969 (119,090 DSUs as at September 30, 2022).

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

20. Share-based payments (continued)

e) Share-based payment costs

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

	Year ended September 30	
	2023	2022
	$	$
PSUs	**55,847**	42,148
Stock options	**2,367**	6,848
Share purchase plan	**169,418**	136,275
DSUs	**5,332**	1,455
	232,964	186,726

21. Earnings per share

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

		2023			2022	
	Net earnings	**Weighted average number of shares outstanding[1]**	**Earnings per share**	Net earnings	Weighted average number of shares outstanding[1]	Earnings per share
	$		**$**	$		$
Basic	**1,631,249**	**234,041,041**	**6.97**	1,466,142	239,262,004	6.13
Net effect of dilutive stock options and PSUs[2]		**3,661,040**			3,605,441	
Diluted	**1,631,249**	**237,702,081**	**6.86**	1,466,142	242,867,445	6.04

1 During the year ended September 30, 2023, 6,302,646 Class A subordinate voting shares purchased for cancellation and 2,309,743 Class A subordinate voting shares held in trust were excluded from the calculation of weighted average number of shares outstanding as of the date of transaction (8,839,439 and 1,841,709, respectively during the year ended September 30, 2022).

2 The calculation of the diluted earnings per share excluded nil stock options for the year ended September 30, 2023 (307,272 for the year ended September 30, 2022, as they were anti-dilutive).

22. Remaining performance obligations

Remaining performance obligations relates to Company's performance obligations that are partially or fully unsatisfied under fixed-fee arrangements recognized using the percentage-of-completion method.

The amount of the selling price allocated to remaining performance obligations as at September 30, 2023 is $982,531,000 ($919,664,000 as at September 30, 2022) and is expected to be recognized as revenue within a weighted average of 2 years (1.9 years as at September 30, 2022).

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

23. Costs of services, selling and administrative

	Year ended September 30	
	2023	2022
	$	$
Salaries and other employee costs[1]	**8,870,235**	7,798,407
Professional fees and other contracted labour	**1,500,613**	1,459,295
Hardware, software and data center related costs	**827,613**	790,447
Property costs	**213,962**	214,430
Amortization, depreciation and impairment (Note 24)	**506,122**	468,334
Other operating expenses	**63,876**	45,651
	11,982,421	10,776,564

[1] Net of R&D and other tax credits of $159,390,000 in 2023 ($155,856,000 in 2022).

24. Amortization, depreciation and impairment

	Year ended September 30	
	2023	2022
	$	$
Depreciation of PP&E (Note 6)	**142,653**	133,651
Depreciation of right-of-use assets (Note 7)	**143,030**	141,295
Impairment of right-of-use assets (Note 7)	**2,274**	1,495
Amortization of contract costs related to transition costs	**55,194**	48,594
Amortization of intangible assets (Note 9)	**162,971**	139,940
Impairment of intangible assets (Note 9)	**—**	3,359
Included in costs of services, selling and administrative (Note 23)	**506,122**	468,334
Amortization of contract costs related to incentives (presented as a reduction of revenue)	**2,793**	2,201
Amortization of deferred financing fees (presented in finance costs)	**816**	829
Amortization of premiums and discounts on investments related to funds held for clients (presented net as a reduction (increase) of revenue)	**(1,832)**	37
Depreciation of PP&E (presented in integration costs) (Note 6)	**712**	—
Impairment of PP&E (presented in integration costs) (Note 6)	**648**	858
Impairment of PP&E (presented in cost optimization program) (Note 6 and 25)	**1,938**	—
Impairment of right-of-use assets (presented in integration costs) (Note 7)	**5,143**	2,363
Impairment of right-of-use assets (presented in cost optimization program) (Note 7 and 25)	**2,232**	—
Amortization of intangible assets (presented in integration costs) (Note 9)	**1,076**	—
	519,648	474,622

25. Cost optimization program

During the year ended September 30, 2023, the Company initiated a cost optimization program to accelerate actions to rightsize its real estate portfolio globally and improve operational efficiencies, including the increased use of automation and global delivery, focused on administrative activities for which the Company recorded $8,964,000 of costs. This amount includes costs for terminations of employment of $2,613,000, accounted for in severance provisions (Note 13), and costs of vacating leased premises of $6,351,000, composed of impairment of right-of-use assets of $2,232,000 (Note 24), onerous supplier contract costs of $2,181,000 as well as impairment of PP&E of $1,938,000 (Note 24) related to leasehold improvements and furniture, fixtures and equipment.

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

26. Net finance costs

	Year ended September 30	
	2023	2022
	$	$
Interest on long-term debt	**53,871**	57,752
Interest on lease liabilities	**29,115**	27,426
Net interest costs on net defined benefit obligations or assets (Note 17)	**4,782**	1,626
Other finance costs	**6,192**	8,413
Finance costs	**93,960**	95,217
Finance income	**(41,497)**	(3,194)
	52,463	92,023

27. Investments in subsidiaries

a) Acquisitions and disposals

There were no significant acquisitions or disposals for the year ended September 30, 2023.

b) Subsequent event

On October 10, 2023, the Company acquired all of the outstanding units of Momentum Industries Holdings, LLC. (Momentum), for a purchase price of $50,492,000. Momentum is an IT and business consulting firm specializing in digital transformation, data and analytics and managed services, based in the U.S. and headquartered in Miami, Florida. The acquisition will be reported under the U.S. Commercial and State Government operating segment. The purchase price is mainly allocated to goodwill, representing the future economic value associated with acquired workforce and synergies with the Company's operations, as well as customer relationships. The purchase price allocation is preliminary and is expected to be completed as soon as management will have gathered all the significant information available and considered necessary in order to finalize this allocation.

This acquisition was made to further expand CGI's footprint in the region and to complement CGI's proximity model.

c) Business acquisitions realized in the prior fiscal year

The Company made the following acquisitions during the year ended September 30, 2022:

- On October 1, 2021, the Company acquired all of the outstanding shares of Array Holding Company, Inc. (Array), for a purchase price of $60,337,000. Based in the United States, Array is a digital services provider that optimizes mission performance for the U.S. Department of Defense and other government organizations and is headquartered in Greenbelt, Maryland.
- On October 28, 2021, the Company acquired all of the outstanding shares of Cognicase Management Consulting (CMC), for a purchase price of $90,900,000. Based in Spain, CMC is a provider of technology and management consulting services and solutions, headquartered in Madrid.
- On February 28, 2022, the Company acquired all of the outstanding shares of Unico Computer Systems Pty Ltd (Unico), for a purchase price of $39,814,000. Based in Australia, Unico is a technology consultancy and systems integrator, headquartered in Melbourne.
- On May 25, 2022, the Company acquired all of the outstanding shares of Harwell Management (Harwell), for a purchase price of $47,309,000. Based in France, Harwell is a management consulting firm specializing in the financial services industry, headquartered in Paris.
- On May 31, 2022, the Company acquired control of Umanis SA (Umanis) through the acquisition of 72.4% of its outstanding shares (excluding treasury shares), for a purchase price of $303,896,000, and filed with the French financial markets authority (Autorité des Marchés Financiers) the draft mandatory tender offer to purchase all remaining outstanding shares.

  By July 18, 2022, the Company acquired an aggregate total interest of more than 90.0% of the outstanding shares (excluding treasury shares) and launched a statutory squeeze-out process through which the remaining shares were acquired on July 29, 2022, for a total cash consideration of $116,362,000. Based in France, Umanis is a digital company specializing in data, digital and business solutions, headquartered in Paris.

These acquisitions were made to further expand CGI's footprint in their respective regions and to complement CGI's proximity model.

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

27. Investments in subsidiaries (continued)

c) Business acquisitions realized in prior fiscal year (continued)

The following table presents the fair value of assets acquired and liabilities assumed for all acquisitions based on the acquisition-date fair values of the identifiable tangible and intangible assets acquired and liabilities assumed as at September 30, 2022:

	CMC	Umanis	Others	Total
	$	$	$	$
Current assets	46,900	106,102	18,267	171,269
PP&E (Note 6)	1,556	5,179	1,429	8,164
Right-of-use assets (Note 7)	3,353	12,855	5,906	22,114
Contract costs	979	—	—	979
Intangible assets[1] (Note 9)	20,657	62,337	27,653	110,647
Other long-term assets	2,336	16,362	—	18,698
Goodwill[2]	93,638	391,026	146,184	630,848
Current liabilities	(41,055)	(96,141)	(26,904)	(164,100)
Long-term debt	(37,937)	(77,973)	(46,730)	(162,640)
Lease liabilities	(3,920)	(12,919)	(6,342)	(23,181)
Deferred tax liabilities	(2,706)	(12,688)	(560)	(15,954)
Retirement benefits obligations (Note 17)	—	(9,743)	(449)	(10,192)
	83,801	384,397	118,454	586,652
Cash acquired	7,099	35,861	29,006	71,966
Net assets acquired	90,900	420,258	147,460	658,618
Consideration paid	79,291	420,258	139,643	639,192
Consideration payable	11,609	—	7,817	19,426

[1] Intangible assets are mainly composed of client relationships.

[2] The goodwill arising from the acquisitions mainly represents the future economic value associated to acquired work force and synergies with the Company's operations. The goodwill is not deductible for tax purposes.

During the year ended September 30, 2023, the Company finalized the fair value assessment of assets acquired and liabilities assumed for Umanis with adjustments resulting in an increase in goodwill of $19,060,000 mainly due to a decrease in intangible assets and accounts receivable.

During the year ended September 30, 2023, the Company finalized the fair value assessment of assets acquired and liabilities assumed for Unico and Harwell with no significant adjustments.

During the year ended September 30, 2023, the Company paid $13,039,000 related to acquisitions realized in prior fiscal years.

d) Acquisition-related and integration costs

During the year ended September 30, 2023, the Company incurred $53,401,000 of integration costs, which mainly include costs of rationalizing the redundancy of employment of $23,226,000, accounted for in severance provisions (Note 13), and costs of vacating leased premises of $10,774,000.

During the year ended September 30, 2022, the Company incurred $27,654,000, of acquisition-related and integration costs. This amount included acquisition-related costs of $3,094,000, and integration costs of $24,560,000. The acquisition-related costs consisted mainly of professional fees incurred for the acquisitions. The integration costs mainly included costs of rationalizing the redundancy of employment of $10,948,000, accounted for in severance provisions (Note 13), and costs of vacating leased premises of $3,496,000.

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

28. Supplementary cash flow information

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

	2023	2022
	$	$
Accounts receivable	**(31,120)**	(33,703)
Work in progress	**76,554**	(116,260)
Prepaid expenses and other assets	**3,547**	(10,907)
Long-term financial assets	**(9,911)**	8,843
Accounts payable and accrued liabilities	**(130,172)**	108,188
Accrued compensation and employee-related liabilities	**(57,644)**	(43,429)
Deferred revenue	**45,681**	43,656
Income taxes	**105,577**	(2,626)
Provisions	**(10,129)**	(41,561)
Long-term liabilities	**18,893**	(28,074)
Derivative financial instruments	**(682)**	(70)
Retirement benefits obligations	**5,871**	5,050
	16,465	(110,893)

b) Non-cash operating and investing activities are as follows for the years ended September 30:

	2023	2022
	$	$
Operating activities		
Accounts payable and accrued liabilities	**32,392**	7,720
Provisions	**1,088**	262
Other long-term liabilities	**4,768**	—
	38,248	7,982
Investing activities		
Purchase of PP&E	**(14,374)**	(16,732)
Additions, disposals/retirements, change in estimates and lease modifications of right-of-use assets	**(86,691)**	(101,180)
Additions to intangible assets	**(28,944)**	(1,127)
	(130,009)	(119,039)

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

28. Supplementary cash flow information (continued)

c) Changes arising from financing activities are as follows for the years ended September 30:

	2023			2022		
	Long-term debt	**Derivative financial instruments to hedge long-term debt**	**Lease liabilities**	Long-term debt	Derivative financial instruments to hedge long-term debt	Lease liabilities
	$	**$**	**$**	$	$	$
Balance, beginning of year	**3,267,034**	**(146,215)**	**709,201**	3,401,656	17,187	776,940
Cash used in financing activities excluding equity						
Increase of long-term debt	**948**	**—**	**—**	—	—	—
Repayment of long-term debt and lease liabilities	**(79,150)**	**—**	**(161,211)**	(401,654)	—	(160,583)
Repayment of debt assumed in business acquisitions that occurred in prior year	**(56,994)**	**—**	**—**	(113,036)	—	—
Settlement of derivative financial instruments (Note 32)	**—**	**2,921**	**—**	—	6,258	—
Non-cash financing activities						
Additions, disposals/retirements and change in estimates and lease modifications of right-of-use assets	**—**	**—**	**81,656**	—	—	95,547
Additions through business acquisitions (Note 27)	**—**	**—**	**—**	162,640	—	23,181
Changes in foreign currency exchange rates	**(38,218)**	**45,719**	**15,997**	207,561	(169,660)	(25,153)
Other	**6,701**	**—**	**(3,680)**	9,867	—	(731)
Balance, end of year	**3,100,321**	**(97,575)**	**641,963**	3,267,034	(146,215)	709,201

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

	2023	2022
	$	$
Interest paid	**130,570**	115,408
Interest received	**87,239**	28,247
Income taxes paid	**480,607**	435,558

e) Cash and cash equivalents consisted of unrestricted cash as at September 30, 2023 and 2022.

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

29. Segmented information

The following tables present information on the Company's operations based on its current management structure. Segment results are based on the location from which the services are delivered - the geographic delivery model (Note 12).

											Year ended September 30, 2023
	Western and Southern Europe	**U.S. Commercial and State Government**	**Canada**	**U.S. Federal**	**Scandinavia and Central Europe**	**U.K. and Australia**	**Finland, Poland and Baltics**	**Northwest and Central-East Europe**	**Asia Pacific**	**Eliminations**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Segment revenue	**2,605,926**	**2,277,996**	**2,064,659**	**1,935,238**	**1,648,356**	**1,455,529**	**828,951**	**755,901**	**918,056**	**(194,252)**	**14,296,360**
Segment earnings before acquisition-related and integration costs, cost optimization program, net finance costs and income tax expense[1]	**355,578**	**339,410**	**477,502**	**306,362**	**127,320**	**216,517**	**110,583**	**101,871**	**277,598**	**—**	**2,312,741**
Acquisition-related and integration costs (Note 27d)											**(53,401)**
Cost optimization program (Note 25)											**(8,964)**
Net finance costs (Note 26)											**(52,463)**
Earnings before income taxes											**2,197,913**

[1] Total amortization and depreciation of $507,087,000 included in the Western and Southern Europe, U.S. Commercial and State Government, Canada, U.S. Federal, Scandinavia and Central Europe, U.K. and Australia, Finland, Poland and Baltics, Northwest and Central-East Europe and Asia Pacific segments is $85,049,000, $83,359,000, $55,589,000, $59,334,000, $90,098,000, $38,423,000, $38,345,000, $31,616,000 and $25,274,000, respectively, for the year ended September 30, 2023.

											Year ended September 30, 2022
	Western and Southern Europe	U.S. Commercial and State Government	Canada	U.S. Federal	Scandinavia and Central Europe	U.K. and Australia	Finland, Poland and Baltics	Northwest and Central-East Europe	Asia Pacific	Eliminations	Total
	$	$	$	$	$	$	$	$	$	$	$
Segment revenue	2,152,113	2,075,321	1,981,380	1,750,902	1,571,118	1,291,125	729,024	692,859	799,661	(176,302)	12,867,201
Segment earnings before acquisition-related and integration costs, net finance costs and income tax expense[1]	289,730	304,767	463,289	276,395	125,728	200,117	96,651	88,287	241,672	—	2,086,636
Acquisition-related and integration costs (Note 27d)											(27,654)
Net finance costs (Note 26)											(92,023)
Earnings before income taxes											1,966,959

[1] Total amortization and depreciation of $470,572,000 included in the Western and Southern Europe, U.S. Commercial and State Government, Canada, U.S. Federal, Scandinavia and Central Europe, U.K. and Australia, Finland, Poland and Baltics, Northwest and Central-East Europe and Asia Pacific segments is $62,922,000, $70,417,000, $57,528,000, $54,073,000, $91,435,000, $40,765,000, $33,219,000, $34,323,000 and $25,890,000, respectively, for the year ended September 30, 2022. Amortization in intangible assets of $3,359,000 includes impairments mainly from a business solution in Northwest and Central-East Europe for $2,131,000. These assets were no longer expected to generate future economic benefits.

The accounting policies of each operating segment are the same as those described in Note 3, Summary of material accounting policies. Intersegment revenue is priced as if the revenue was from third parties.

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

29. Segmented information (continued)

GEOGRAPHIC INFORMATION

The following table provides external revenue information based on the client's location which is different from the revenue presented under operating segments, due to the intersegment revenue, for the years ended September 30:

	2023	2022
	$	$
Western and Southern Europe		
France	**2,277,088**	1,846,832
Portugal	**116,928**	105,225
Spain	**114,341**	111,515
Others	**55,519**	52,510
	2,563,876	2,116,082
U.S.[1]	**4,404,982**	3,987,025
Canada	**2,232,091**	2,143,211
Scandinavia and Central Europe		
Germany	**925,679**	811,458
Sweden	**691,240**	697,941
Norway	**123,366**	143,259
	1,740,285	1,652,658
U.K. and Australia		
U.K.	**1,588,665**	1,397,161
Australia	**90,576**	75,746
	1,679,241	1,472,907
Finland, Poland and Baltics		
Finland	**820,886**	727,853
Others	**49,564**	34,676
	870,450	762,529
Northwest and Central-East Europe		
Netherlands	**571,757**	494,227
Denmark	**95,758**	114,849
Czech Republic	**72,559**	54,621
Others	**61,854**	64,632
	801,928	728,329
Asia Pacific		
Others	**3,507**	4,460
	3,507	4,460
	14,296,360	12,867,201

[1] External revenue included in the U.S Commercial and State Government and U.S. Federal operating segments was $2,461,366,000 and $1,943,616,000, respectively in 2023 ($2,226,473,000 and $1,760,552,000, respectively in 2022).

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

29. Segmented information (continued)

GEOGRAPHIC INFORMATION (CONTINUED)

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

	As at September 30, 2023	As at September 30, 2022
	$	$
U.S.	**557,381**	556,075
Canada	**427,811**	374,757
France	**200,842**	217,261
U.K.	**115,560**	112,924
Finland	**100,212**	97,486
Sweden	**94,801**	100,088
Germany	**85,013**	89,527
India	**65,664**	71,942
Netherlands	**49,570**	47,274
Rest of the world	**106,292**	114,966
	1,803,146	1,782,300

INFORMATION ABOUT SERVICES

The following table provides revenue information based on services provided by the Company for the year ended September 30:

	2023	2022
	$	$
Managed IT and business process services	**7,674,460**	6,980,988
Business and strategic IT consulting and systems integration services	**6,621,900**	5,886,213
	14,296,360	12,867,201

MAJOR CLIENT INFORMATION

Contracts with the U.S. federal government and its various agencies, included within the U.S. Federal operating segment, accounted for $1,923,977,000 and 13.5% of revenues for the year ended September 30, 2023 ($1,705,173,000 and 13.3% for the year ended September 30, 2022).

30. Related party transactions

a) Transactions with subsidiaries and other related parties

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

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

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

b) Compensation of key management personnel

Compensation of key management personnel, currently defined as the executive officers and the Board of Directors of the Company, was as follows for the year ended September 30:

	2023	2022
	$	$
Short-term employee benefits	**36,049**	34,430
Share-based payments	**30,701**	23,819

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

31. Commitments, contingencies and guarantees

a) Commitments

As at September 30, 2023, the Company entered into long-term service agreements representing a total commitment of $323,957,000. Minimum payments under these agreements are due as follows:

	$
Less than one year	151,720
Between one and three years	141,768
Between three and five years	30,469
Beyond five years	—

b) Contingencies

From time to time, the Company is involved in legal proceedings, audits, litigation and claims which primarily relate to tax exposure, contractual disputes and employee claims arising in the ordinary course of its business. Certain of these matters seek damages in significant amounts and will ultimately be resolved when one or more future events occur or fail to occur. Although the outcome of such matters is not predictable with assurance, the Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or the ability to carry on any of its business activities. Claims for which there is a probable unfavourable outcome are recorded in provisions.

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

c) Guarantees

Sale of assets and business divestitures

In connection with the sale of assets and business divestitures, the Company may be required to pay counterparties for costs and losses incurred as the result of breaches in contractual obligations, representations and warranties, intellectual property right infringement and litigation against counterparties, among others. While some of the agreements specify a maximum potential exposure, others do not specify a maximum amount or a maturity date. It is not possible to reasonably estimate the maximum amount that may have to be paid under such guarantees. The amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. No amount has been accrued in the consolidated balance sheets relating to this type of indemnification as at September 30, 2023. The Company does not expect to incur any potential payment in connection with these guarantees that could have a materially adverse effect on its consolidated financial statements.

Other transactions

In the normal course of business, the Company may provide certain clients, principally governmental entities, with bid and performance bonds. In general, the Company would only be liable for the amount of the bid bonds if the Company refuses to perform the project once the bid is awarded. The Company would also be liable for the performance bonds in the event of default in the performance of its obligations. As at September 30, 2023, the Company had committed a total of $34,323,000 of these bonds. To the best of its knowledge, the Company is in compliance with its performance obligations under all service contracts for which there is a bid or performance bond, and the ultimate liability, if any, incurred in connection with these guarantees, would not have a materially adverse effect on the Company's consolidated results of operations or financial condition.

Moreover, the Company has letters of credit for a total of $75,888,000 in addition to the letters of credit covered by the unsecured committed revolving credit facility (Note 14). These guarantees are required in some of the Company's contracts with customers.

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

32. Financial instruments

FAIR VALUE MEASUREMENTS

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

Valuation techniques used to value financial instruments are as follows:

- The fair value of the 2014 U.S. Senior Notes, the 2021 U.S. Senior Notes, the 2021 CAD Senior Notes, the unsecured committed revolving credit facility, the unsecured committed term loan credit facility and the other long-term debt is estimated by discounting expected cash flows at rates currently offered to the Company for debts of the same remaining maturities and conditions;
- The fair value of long-term bonds included in funds held for clients and in long-term investments is determined by discounting the future cash flows using observable inputs, such as interest rate yield curves or credit spreads, or according to similar transactions on an arm's-length basis;
- The fair value of foreign currency forward contracts is determined using forward exchange rates at the end of the reporting period;
- The fair value of cross-currency swaps is determined based on market data (primarily yield curves, exchange rates and interest rates) to calculate the present value of all estimated cash flows;
- The fair value of cash, cash equivalents and cash included in funds held for clients and short-term investments included in current financial assets is determined using observable quotes; and
- The fair value of deferred compensation plan assets within long-term financial assets is based on observable price quotations and net assets values at the reporting date.

As at September 30, 2023, there were no changes in valuation techniques.

The following table presents the financial liabilities included in the long-term debt (Note 14) measured at amortized cost categorized using the fair value hierarchy.

		As at September 30, 2023		As at September 30, 2022	
	Level	**Carrying amount**	**Fair value**	Carrying amount	Fair value
		$	**$**	$	$
2014 U.S. Senior Notes	Level 2	**473,808**	**464,806**	550,177	539,752
2021 U.S. Senior Notes	Level 2	**1,342,714**	**1,132,649**	1,361,974	1,127,739
2021 CAD Senior Notes	Level 2	**596,550**	**503,984**	595,900	503,227
Other long-term debt	Level 2	**10,363**	**9,839**	71,278	68,991
		2,423,435	**2,111,278**	2,579,329	2,239,709

For the remaining financial assets and liabilities measured at amortized cost, the carrying values approximate the fair values of the financial instruments given their short term maturity.

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

32. Financial instruments (continued)

FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Level	As at September 30, 2023	As at September 30, 2022
		$	$
Financial assets			
FVTE			
Cash and cash equivalents	Level 2	**1,568,291**	966,458
Cash included in funds held for clients (Note 5)	Level 2	**269,792**	504,726
Deferred compensation plan assets (Note 11)	Level 1	**88,076**	71,863
		1,926,159	1,543,047
Derivative financial instruments designated as hedging instruments			
Current derivative financial instruments included in current financial assets	Level 2		
Cross-currency swaps		**83,626**	8,740
Foreign currency forward contracts		**12,505**	18,934
Long-term derivative financial instruments (Note 11)	Level 2		
Cross-currency swaps		**16,130**	222,246
Foreign currency forward contracts		**5,875**	15,631
		118,136	265,551
FVOCI			
Short-term investments included in current financial assets	Level 2	**7,332**	6,184
Long-term bonds included in funds held for clients (Note 5)	Level 2	**138,935**	94,113
Long-term investments (Note 11)	Level 2	**17,113**	16,826
		163,380	117,123
Financial liabilities			
Derivative financial instruments designated as hedging instruments			
Current derivative financial instruments	Level 2		
Cross-currency swaps		**2,183**	599
Foreign currency forward contracts		**2,330**	5,710
Long-term derivative financial instruments	Level 2		
Cross-currency swaps		**—**	1,086
Foreign currency forward contracts		**1,700**	4,795
		6,213	12,190

There have been no transfers between Level 1 and Level 2 for the years ended September 30, 2023 and 2022.

32. Financial instruments (continued)

MARKET RISK

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

Interest rate risk

To cover the risk of changes in both interest rates and foreign exchange rates of its 2014 U.S. Senior Notes as described below, the Company designates cross-currency interest rate swaps as cash flow hedges for this long term debt.

The Company is also exposed to interest rate risk on its unsecured committed revolving credit facility carrying amount.

The Company analyzes its interest rate risk exposure on an ongoing basis using various scenarios to simulate refinancing or the renewal of existing positions. Based on these scenarios, a change in the interest rate of 1% would not have had a significant impact on net earnings.

Currency risk

The Company operates internationally and is exposed to risk from changes in foreign currency exchange rates. The Company mitigates this risk principally through foreign currency denominated debt and derivative financial instruments, which includes foreign currency forward contracts and cross-currency swaps.

The Company hedges a portion of the translation of the Company's net investments in its U.S. operations into Canadian dollar, with Senior U.S. unsecured notes. As of September 30, 2023, the Senior U.S. unsecured notes of a carrying value of $1,525,519,000 and a nominal amount of $1,536,563,000 have been designated as hedging instruments to hedge portions of the Company's net investments in its U.S. operations.

The Company also hedges a portion of the translation of the Company's net investments in its European operations with cross-currency swaps.

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

32. Financial instruments (continued)

MARKET RISK (CONTINUED)

Currency risk (continued)

The following tables summarize the cross-currency swap agreements that the Company had entered into in order to manage its currency:

					As at September 30, 2023	As at September 30, 2022
Receive Notional	**Receive Rate**	**Pay Notional**	**Pay rate**	**Maturity**	**Fair value**	Fair value
					$	$
Hedges of net investments in European operations						
$690,100	From 1.62% to 3.81%	€476,737	From (0.14)% to 2.51%	From September 2024 to 2028	**22,966**	78,647
$136,274	From 3.57% to 3.63%	£75,842	From 2.67% to 2.80%	September 2024	**11,972**	24,247
$58,419	From 3.57% to 3.68%	kr371,900	From 2.12% to 2.18%	September 2024	**12,087**	12,625
Hedges of net investments in European operations and cash flow hedges on unsecured committed term loan credit facility						
U.S.$500,000	SOFR 1 month + 1.10%	€443,381	From 1.14% to 1.22%	December 2023	**44,386**	104,330
Cash flow hedges of 2014 U.S. Senior Notes						
U.S.$215,000	From 3.74% to 4.06%	$284,793	From 3.49% to 3.81%	September 2024	**6,163**	9,452
Total					**97,574**	229,301

During the year ended September 30, 2023, the Company settled cross-currency swaps with a notional amount of $69,300,000 for a net amount of $2,921,000. The related amounts recognized in accumulated other comprehensive income will be transferred to earnings when the net investment is disposed of.

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

As at September 30, 2023, the Company held foreign currency forward contracts to hedge exposures to changes in foreign currency, which have the following notional, average contract rates and maturities:

		Average contract rates		**As at September 30, 2023**	As at September 30, 2022
Foreign currency forward contracts	**Notional**	**Less than one year**	**More than one year**	**Fair value**	Fair value
				$	$
USD/INR	U.S.$278,814	83.27	87.32	**(973)**	(7,803)
CAD/INR	$292,047	63.77	65.32	**4,497**	7,865
EUR/INR	€78,476	95.01	96.54	**5,076**	11,690
GBP/INR	£67,507	107.07	106.76	**3,501**	12,753
SEK/INR	kr15,000	7.48	—	**(33)**	1,047
GBP/EUR	£77,610	1.16	—	**649**	—
EUR/MAD	€24,466	10.94	—	**135**	(201)
EUR/CZK	€15,062	24.80	24.55	**(92)**	611
Others	$78,027			**1,590**	(1,902)
Total				**14,350**	24,060

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

32. Financial instruments (continued)

MARKET RISK (CONTINUED)

Currency risk (continued)

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

				2023				2022
	euro impact	**U.S. dollar impact**	**British pound impact**	**Swedish krona impact**	euro impact	U.S. dollar impact	British pound impact	Swedish krona impact
	$	**$**	**$**	**$**	$	$	$	$
Increase in net earnings	**1,384**	**3,598**	**692**	**466**	2,835	3,604	622	883
Decrease in other comprehensive income (loss)	**(155,000)**	**(190,539)**	**(29,436)**	**(7,005)**	(183,986)	(179,780)	(31,700)	(8,577)

LIQUIDITY RISK

Liquidity risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets. The Company’s activities are financed through a combination of the cash flows from operations, borrowing under existing unsecured committed revolving credit facility, the issuance of debt and the issuance of equity. One of management’s primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. The Company regularly monitors its cash forecasts to ensure it has sufficient flexibility under its available liquidity to meet its obligations.

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

32. Financial instruments (continued)

LIQUIDITY RISK (CONTINUED)

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

As at September 30, 2023	**Carrying amount**	**Contractual cash flows**	**Less than one year**	**Between one and three years**	**Between three and five years**	**Beyond five years**
	$	$	$	$	$	$
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	**924,659**	924,659	924,659	—	—	—
Accrued compensation and employee-related liabilities	**1,100,566**	1,100,566	1,100,566	—	—	—
2014 U.S. Senior Notes	**473,808**	492,722	492,722	—	—	—
2021 U.S. Senior Notes	**1,342,714**	1,488,774	24,233	860,746	24,910	578,885
2021 CAD Senior Notes	**596,550**	663,000	12,600	25,200	625,200	—
Unsecured committed term loan credit facility	**676,886**	687,419	687,419	—	—	—
Lease liabilities	**641,963**	722,284	221,877	238,009	139,275	123,123
Other long-term debt	**10,363**	10,448	8,353	1,328	449	318
Clients' funds obligations	**493,638**	493,638	493,638	—	—	—
Derivative financial liabilities						
Cash flow hedges of future revenue	**4,030**					
Outflow		328,455	155,450	163,091	9,914	—
(Inflow)		(331,954)	(154,116)	(166,967)	(10,871)	—
Cross-currency swaps	**2,183**					
Outflow		93,311	93,311	—	—	—
(Inflow)		(91,353)	(91,353)	—	—	—
	6,267,360	6,581,969	3,969,359	1,121,407	788,877	702,326

As at September 30, 2022	Carrying amount	Contractual cash flows	Less than one year	Between one and three years	Between three and five years	Beyond five years
	$	$	$	$	$	$
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	1,016,407	1,016,407	1,016,407	—	—	—
Accrued compensation and employee-related liabilities	1,130,726	1,130,726	1,130,726	—	—	—
2014 U.S. Senior Notes	550,177	591,467	90,680	500,787	—	—
2021 U.S. Senior Notes	1,361,974	1,537,370	24,623	49,246	862,639	600,862
2021 CAD Senior Notes	595,900	675,600	12,600	25,200	25,200	612,600
Unsecured committed term loan credit facility	687,705	721,807	27,053	694,754	—	—
Lease liabilities	709,201	808,445	182,815	295,017	166,848	163,765
Other long-term debt	71,278	80,324	25,843	11,919	42,557	5
Clients' funds obligations	604,431	604,431	604,431	—	—	—
Derivative financial liabilities						
Cash flow hedges of future revenue	10,505					
Outflow		304,698	110,827	193,871	—	—
(Inflow)		(311,446)	(109,319)	(202,127)	—	—
Cross-currency swaps	1,685					
Outflow		168,213	74,902	93,311	—	—
(Inflow)		(167,586)	(74,762)	(92,824)	—	—
	6,739,989	7,160,456	3,116,826	1,569,154	1,097,244	1,377,232

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

32. Financial instruments (continued)

LIQUIDITY RISK (CONTINUED)

As at September 30, 2023, the Company held cash and cash equivalents, funds held for clients, short-term investments and long-term investments of $2,081,463,000 ($1,588,307,000 as at September 30, 2022). The Company also had available $1,495,858,000 in unsecured committed revolving credit facility ($1,495,730,000 as at September 30, 2022). As at September 30, 2023, trade accounts receivable amounted to $1,152,880,000 (Note 4) ($1,106,187,000 as at September 30, 2022). Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

CREDIT RISK

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, accounts receivable, work in progress, long-term investments and derivative financial instruments with a positive fair value. The maximum exposure of credit risk is generally represented by the carrying amount of these items reported on the consolidated balance sheets.

The Company is exposed to credit risk in connection with long-term investments through the possible inability of borrowers to meet the terms of their obligations. The Company mitigates this risk by investing primarily in high credit quality corporate and government bonds with a credit rating of A$^-$ or higher. The application of the low credit exemption had no material impact on the Company's consolidated financial statements.

The Company has accounts receivable derived from clients engaged in various industries including government; financial services; manufacturing, retail and distribution; communications and utilities; and health that are not concentrated in any specific geographic area. These specific industries may be affected by economic factors that may impact trade accounts receivable. However, management does not believe that the Company is subject to any significant credit risk in view of the Company's large and diversified client base and that any single industry or geographic region represents a significant credit risk to the Company. Historically, the Company has not made any significant write-offs and had low bad debt ratios. The application of the simplified approach to measure expected credit losses for trade accounts receivable and work in progress had no material impact on the Company's consolidated financial statements.

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

	2023	2022
	$	$
Not past due	**1,034,795**	950,928
Past due 1-30 days	**82,536**	81,000
Past due 31-60 days	**17,630**	25,694
Past due 61-90 days	**9,925**	12,142
Past due more than 90 days	**10,913**	39,883
	1,155,799	1,109,647
Allowance for doubtful accounts	**(2,919)**	(3,460)
	1,152,880	1,106,187

In addition, the exposure to credit risk of cash, cash equivalents and cash included in funds held for clients and derivatives financial instruments is limited given that the Company deals mainly with a diverse group of high-grade financial institutions and that derivatives agreements are generally subject to master netting agreements, such as the International Swaps and Derivatives Association, which provide for net settlement of all outstanding contracts with the counterparty in case of an event of default.

33. Capital risk management

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

The Company manages its capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the debt and equity balance. As at September 30, 2023, total managed capital was $13,645,314,000 ($12,238,427,000 as at September 30, 2022). Managed capital consists of long-term debt, including the current portion (Note 14), lease liabilities, cash and cash equivalents, short-term investments, long-term investments (Note 11) and shareholders' equity. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in the business environment. When capital needs have been specified, the Company's management proposes capital transactions for the approval of the Company's Audit and Risk Management Committee and Board of Directors. The capital risk policy remains unchanged from prior periods.

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

- Net Debt/Capitalization
- Debt/Adjusted EBITDA

Net debt, capitalization and adjusted EBITDA are additional measures. Net debt represents debt (including the current portion and the fair value of foreign currency derivative financial instruments related to debt) and lease liabilities less cash and cash equivalents, short-term investments and long-term investments. Capitalization is shareholders' equity plus net debt. Adjusted EBITDA is calculated as earnings from continuing operations before finance costs, income taxes, depreciation, amortization, cost optimization program and acquisition-related and integration costs. The Company believes that the results of the current internal ratios are consistent with its capital management credit facility and unsecured committed revolving credit facilities. The ratios are as follows:

- Leverage ratios, which are the ratio of total debt to adjusted EBITDA for its 2014 U.S. Senior Notes and the ratio of total debt net of cash and cash equivalent investments to adjusted EBITDA for its unsecured committed revolving credit facility and unsecured committed term loan credit facility for the four most recent quarters[1].
- An interest and rent coverage ratio, which is the ratio of the EBITDAR for the four most recent quarters to the total finance costs and the operating rentals in the same periods. EBITDAR is calculated as adjusted EBITDA before rent expense[1].
- In the case of the 2014 U.S. Senior Notes, a minimum net worth is required, whereby shareholders' equity, excluding foreign exchange translation adjustments included in accumulated other comprehensive income, cannot be less than a specified threshold.

These ratios are calculated on a consolidated basis.

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

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