

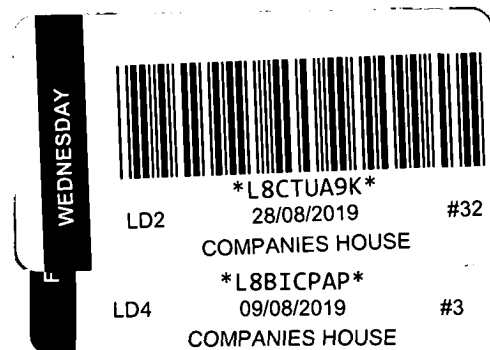
* Amended *

CGI IT UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

- replace the original accounts.
- are now the statutory accounts.
- are prepared as they were at the date of the original accounts.



Amended

CGI IT UK LIMITED

COMPANY INFORMATION

Directors	François Boulanger Faris M. K. Mohammed Tara McGeehan (appointed 19 January 2018) Stephen Thorn (resigned 9 January 2018) Neil Timms (appointed 10 January 2019)
Company secretary	Sarah Landry Maltais (appointed 16th April 2018)
Registered number	00947968
Registered office	20 Fenchurch Street 14th Floor London EC3M 3BY

CGI IT UK LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

The Directors present their Strategic Report for the year ended 30 September 2018.

The business undertaken by the company throughout the year included:

- *Consulting* - providing a full range of IT and management consulting services, including IT strategic planning, business process engineering and system architecture;
- *System integration* - integrate and customise leading technologies and software applications to create IT systems that respond to clients' strategic needs;
- *Management of IT and business functions (Outsourcing)* - development and integration of new projects and applications, applications maintenance and support, technology infrastructure management, transaction and business processing and document management services.

Business model

CGI is unique compared to most companies. We not only have a vision, but also a dream: "To create an environment in which we enjoy working together and, as owners, contribute to building a company we can be proud of." This dream has motivated us since our founding in 1976 and drives our vision: "To be a global, world-class end-to-end IT and business consulting services leader helping our clients succeed."

The business strategy of the company's ultimate parent, CGI Inc (formerly CGI Group Inc.), and its subsidiaries' is built around its three key stakeholders: clients, members and shareholders. The business model is designed to deliver profitable organic growth enabling CGI to deliver effective services to our clients, long term career development to our members and superior financial returns to our shareholders.

The business model is founded on the following approach:

- *Local accountability:* We live and work near our clients to provide a high level of responsiveness. We speak our clients' language, understand their business environment and collaborate with them to meet their goals and advance their business;
- *Global reach:* Our local presence is complemented by an expansive global delivery network that ensures our clients have 24/7 access to best-fit digital capabilities and resources to meet their end-to-end needs. In addition, clients benefit from our unique combination of industry domain and technology expertise within our global delivery model.
- *Committed experts:* One of our key strategic goals is to be our clients' expert of choice. To achieve this, we invest in developing and recruiting professionals with extensive industry, business and in-demand technology expertise. In addition, CGI professionals, who we also refer to as members, are also shareholders, providing an added level of commitment to the success of our clients.
- *Comprehensive quality processes:* CGI's investment in quality frameworks and rigorous client satisfaction assessments has resulted in a consistent track record of on-time and within-budget project delivery.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018

BUSINESS REVIEW AND FINANCIAL KEY PERFORMANCE INDICATORS

The profit for the year after tax is £170,687,000 (2017: £107,917,000)

The Company's key financial and other performance indicators during the year were as follows:

	2018	2017	changes
	£000	£000	%
Turnover	832,197	843,601	(1.4%)
Operating profit	115,629	75,172	53.8%
Profit before tax	189,944	117,501	61.7%
Shareholders' equity	1,014,914	994,597	2.0%

Turnover amounted to £832,197,000 for the year ended 30 September 2018 compared to £843,601,000 in the prior year, which represents a decrease of 1.4%.

Operating profit for the year increased by 53.8%, and profit before tax for the year increased by 61.7% compared to 2017. These movements primarily result from increased gross profit and income from group undertakings.

Shareholders' equity increased by 2.0% compared to prior year which represents profit in the year net of dividends paid of £180,000,000 (2017: £nil), and other reserves movements.

During the year, the company had overseas branches in France, Ireland, Saudi Arabia and the Philippines and all branches of the company traded during the financial year. The Ireland branch closed with effect of 31 January 2019, however the directors expect all other branches to continue trading in the forthcoming year.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018

FINANCIAL INSTRUMENTS, PRINCIPAL RISKS AND UNCERTAINTIES

The principal financial risks that the company is exposed to and the policies with respect to managing those risks are set out below. The company does not undertake any trading or speculative activity in financial instruments.

Foreign exchange risk

The company has operations in several countries worldwide, exposing the company to foreign exchange risk on the translation of the profit and loss account and balance sheet of foreign operations into pounds sterling. Operations are also subject to foreign exchange risk from committed transactions denominated in currencies other than their functional currency and, once recognised, the revaluation of foreign currency denominated assets and liabilities. The company does not hedge the foreign exchange risk relating to the translation of the profit and loss accounts of overseas operations. To mitigate foreign exchange risk arising from transactions denominated in currencies other than an operation's functional currency, amounts not denominated in the functional currencies may be hedged by means of forward contracts or currency loans and overdrafts.

Credit risk

The company's credit risk is primarily attributable to cash, deposits with banks and financial institutions, trade receivables and amounts recoverable on contracts. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The company completes credit checks prior to contract acceptance to minimise its exposure to credit risk. However, it is considered that the company has no significant concentrations of credit risk within trade debtors and other work in capital since the risk is spread over a large number of unrelated counterparties.

Interest rate risk

The company funds its operations through a mixture of share capital, retained earnings and intra group borrowings, intra group receivables and payables, and cash balances bearing interest at variable market rates of interest. The company does not hedge interest rate risk associated with intra group balances.

Liquidity risk

The company's policy is to maintain sufficient headroom to meet its foreseeable financing requirements through group banking facilities and intra group lending. The company is part of CGI Inc cash pool, which allows swift access to funds as needed.

Brexit risk

The UK referendum result on continued EU membership will have a long-term effect on UK organisations; such an effect will need to be assessed and understood over time. In the short-term, elevated political instability and economic uncertainty will potentially result in increased market volatility on exchange rates. Exchange rate risk mitigation is discussed under the heading foreign exchange risk.

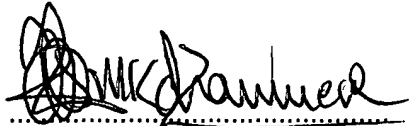
Competitive environment

Competitive pressure is a continuing risk for the company, which could result in it losing sales to its key competitors and/or declining profitability. The company manages this risk by providing value added services to its clients and by maintaining strong relationships with them. The company also carries out an ongoing review of its cost base to ensure that the company can deliver competitively priced services at an adequate margin.

CGI IT UK LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018

This report was approved by the board and signed on its behalf.



Faris M. K. Mohammed
Director

Date: 24 JUNE 2019

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

The Directors present their report and the financial statements for the year ended 30 September 2018.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £170,687,000 (2017 - £107,917,000).

During the year under review, £180,000,000 dividends were paid by the Company (2017: £nil).

DIRECTORS

The directors who served during the year were:

François Boulanger
Faris M. K. Mohammed
Tara McGeehan (appointed 19 January 2018)
Stephen Thorn (resigned 9 January 2018)

FUTURE DEVELOPMENTS

It is expected that the markets in which the company operates will continue to provide a platform for the company to grow in the future. The company is well positioned to take advantage of trends in the IT services and business process outsourcing markets and continues to invest and innovate to remain competitive.

RESEARCH AND DEVELOPMENTS ACTIVITIES

Research and development activities during the period included both collaborative projects with other commercial and government organisations and the development of the company's range of software products.

During the year, the company invested an estimated £33,536,000 (2017: £36,155,000) on research and development of the company's range of software products.

EMPLOYEE INVOLVEMENT

There is close consultation between members and management on matters of mutual interest and information is disseminated through divisional, country and global communications as well as via individual performance reviews, team briefings and in house newsletters. There are elected employee representatives of the company who form the Employee Council. The Employee Council exists with the aim of establishing a means of consulting and communicating corporate changes and organisational transformation for the members of the group. The Employee Council promotes the exchange of views and information with the aim of extending understanding and facilitating the introduction of policy changes. The Employee Council has been set up under the voluntary arrangements in the EU Directives on European Works Councils.

DISABLED EMPLOYEES

The company is committed to employment policies, which follow best practice, based on equal opportunities for all members, irrespective of sex, sexual orientation, race, colour, origin, religion, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company maintains insurance cover for all directors and officers against liabilities which may be incurred by them while acting as directors and officers. Copies of these indemnities are kept at our registered office and are open for inspection to any member.

GOING CONCERN

The company is expected to generate positive cash flows on its own account for the foreseeable future and benefits from the support of other Group companies if required. The company has a portfolio of long term contracts across a wide variety of markets. As a consequence, the directors believe that the company is well placed to manage its business risks.

The financial position and cash flows of the company and Group as a whole are such that, after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

POST BALANCE SHEET EVENTS

Post year end, Neil Timms was appointed as a Director on 10 January 2019.

Following the conclusion of the Lloyds Banking Group high court judgement on the equalisation of the Guaranteed Minimum Pension in October 2018, the company recorded a one off adjustment of £4.9m through other comprehensive income in the year to 30 September 2019 to reflect the impact on its defined benefit pension schemes.

The Irish Branch ceased to trade on 31 January 2019.

AUDITORS

The auditors, Ernst & Young LLP, will not be reappointed as the company's auditor. PricewaterhouseCoopers will be proposed for appointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Faris M. K. Mohammed
Director

Date: 24 JUNE 2019

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CGI IT UK LIMITED

Opinion

We have audited the financial statements of CGI IT UK Limited for the year ended 30 September 2018 which comprise the Income Statement, the Statement of Financial Position, the Statement of Other Comprehensive income, the Statement of Changes in Equity and the related notes 1 to 34, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a

material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

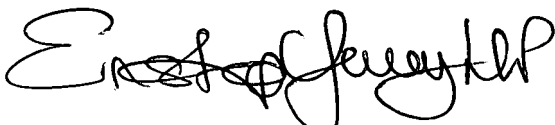
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed



Steven Lunn (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

26 June 2019

CGI IT UK LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Note	2018 £000	2017 £000
Turnover	4	832,197	843,601
Cost of sales		(590,255)	(637,728)
Gross profit		241,942	205,873
Administrative expenses		(126,313)	(130,701)
Operating profit	5	115,629	75,172
Income from shares in group undertakings		74,381	45,806
Interest receivable and similar income	9	2,660	-
Interest payable and similar expenses	10	(1,324)	(2,194)
Other finance income	11	(1,402)	(1,283)
Profit before tax		189,944	117,501
Tax on profit	12	(19,257)	(9,584)
Profit for the financial year		170,687	107,917

The notes on pages 17 to 55 form part of these financial statements.

CGI IT UK LIMITED

**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Note	2018 £000	2017 £000
Profit for the financial year		170,687	107,917
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit schemes	30	24,001	(13,395)
Movement of deferred tax relating to pension (deficit)/surplus		(4,080)	2,277
Tax relating to stock option expense		1,447	2,487
		21,368	(8,631)
Items that may be reclassified to profit or loss:			
Cash flow hedge:			
Unrealised gain on cash flow hedge		352	325
Tax relating to cash flow hedge		(60)	(55)
Net gain/(loss) on cash flow hedge		292	270
Exchange differences:			
Exchange differences on investments and translation of foreign branches		7,970	17,467
		7,970	17,467
Total comprehensive income for the year		200,317	117,023

The notes on pages 17 to 55 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Note	2018 £000	2017 £000
Fixed assets			
Goodwill	15	7,779	7,779
		<u>7,779</u>	<u>7,779</u>
Fixed assets			
Other intangible assets	14	42,566	57,812
Tangible assets	16	34,942	39,929
Investments	17	930,404	922,041
Defined benefit pension plan surplus	30	16,081	6,861
		<u>1,031,772</u>	<u>1,034,422</u>
Current assets			
Debtors due after more than 1 year	18	35,287	88,119
Debtors due within 1 year	18	256,354	175,455
Cash at bank	19	15,423	37,247
		<u>307,064</u>	<u>300,821</u>
Creditors: amounts falling due within one year	20	(235,220)	(190,213)
Net current assets		<u>71,844</u>	<u>110,608</u>
Total assets less current liabilities		<u>1,103,616</u>	<u>1,145,030</u>
Creditors: amounts falling due after more than one year	21	(74,272)	(93,722)
		<u>1,029,344</u>	<u>1,051,308</u>
Provisions	26	(14,430)	(32,534)
Net assets excluding pension liability/asset		<u>1,014,914</u>	<u>1,018,774</u>
Defined benefit pension plan deficit	30	-	(24,177)
Net assets		<u><u>1,014,914</u></u>	<u><u>994,597</u></u>

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 SEPTEMBER 2018

	Note	2018 £000	2017 £000
Capital and reserves			
Called up share capital	27	621,788	621,788
Foreign exchange reserve	28	48,072	40,102
Cash flow hedge reserve	28	(1,371)	(1,663)
Profit and loss account	28	346,425	334,370
Total equity		<u>1,014,914</u>	<u>994,597</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



Faris M. K. Mohammed
Director

CGI IT UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Called up share capital	Foreign exchange reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 October 2017	621,788	40,102	(1,663)	334,370	994,597
Comprehensive income for the year					
Profit for the year	-	-	-	170,687	170,687
Actuarial gain on pension scheme, net of tax	-	-	-	19,921	19,921
Deferred tax movements on stock option expense	-	-	-	1,447	1,447
Cash flow hedge movement, net of tax	-	-	292	-	292
Exchange differences on translation of foreign branches	-	7,970	-	-	7,970
Other comprehensive income for the year	-	7,970	292	21,368	29,630
Total comprehensive income for the year	-	7,970	292	192,055	200,317
Dividends: Equity capital	-	-	-	(180,000)	(180,000)
Total transactions with owners	-	-	-	(180,000)	(180,000)
At 30 September 2018	621,788	48,072	(1,371)	346,425	1,014,914

CGI IT UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Called up share capital	Foreign exchange reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 October 2016	621,788	22,635	(1,933)	237,744	880,234
Comprehensive income for the year					
Profit for the year	-	-	-	107,917	107,917
Actuarial losses on pension scheme, net of tax	-	-	-	(11,118)	(11,118)
Deferred tax movements	-	-	-	2,487	2,487
Cash flow hedge movement, net of tax	-	-	270	-	270
Exchange differences on translation of foreign branches	-	17,467	-	-	17,467
Other comprehensive income for the year	-	17,467	270	(8,631)	9,106
Total comprehensive income for the year	-	17,467	270	99,286	117,023
Non-cash distribution to intermediate parent entity	-	-	-	(2,660)	(2,660)
Total transactions with owners	-	-	-	(2,660)	(2,660)
At 30 September 2017	621,788	40,102	(1,663)	334,370	994,597

The notes on pages 17 to 55 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of CGI IT UK Limited (the "Company") for the year ended 30 September 2018 were approved by the board of directors on 24 June 2019 and the balance sheet was signed on the board's behalf by Faris M.K. Mohammed. Entity CGI IT UK Limited is a private company limited by shares, incorporated and domiciled in England.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company has used a true and fair view override in respect of the non-amortisation of goodwill (see note 2.15).

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of CGI Inc., a listed company incorporated in Canada. The results of CGI IT UK Limited are included in the consolidated financial statements of CGI Inc., which can be obtained by visiting the Investors section on CGI's web site at www.cgi.com

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006 .

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

2.3 Going concern

The Company is expected to generate positive cash flows on its own account for the foreseeable future and benefits from the support of other Group companies if required. The company has a portfolio of long term contracts across a wide variety of markets. As a consequence, the directors believe that the company is well placed to manage its business risks.

The financial position and cash flows of the company and Group as a whole are such that, after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

2.4 Turnover

Turnover represents the fair value of consideration received or receivable from clients for goods and services provided by the company net of discounts, value added tax and other sales related taxes. Where the time value of money is material, turnover is recognised as the present value of cash inflows expected to be received from the customer in settlement.

The company's contracts often include a mix of the services and products referred to below. If a contract involves the provision of multiple components, the total contract value is allocated to each separately identifiable component based on its relative selling price. A component is considered to be separately identifiable if it has a value to the client on a stand alone basis.

Assessing whether a contract involving the provision of multiple components has separately identifiable components requires judgement by management. When estimating selling price, the company maximises the use of observable prices which are established using the company's prices for the same or similar components. When observable prices are not available, the company estimates selling prices based on its best estimate of selling price. The best estimate of selling price is the price at which the company would normally expect to offer its services and products to the market. The appropriate turnover recognition method is applied to each separately identifiable component as described below.

Turnover from the provision of outsourcing services is recognised as the service is provided based on contractually agreed rates.

Turnover from systems integration and consulting services under time and material arrangements is recognised as the services are rendered, and turnover under cost based arrangements is recognised as reimbursable costs are incurred.

Turnover from systems integration and consulting services under fixed fee arrangements where the outcome of the arrangements can be estimated reliably is recognised using the percentage of completion method over the service periods. The company uses labour costs to measure the progress towards completion. This method relies on estimates of total expected labour costs to complete the service, which are compared to labour costs incurred to date, to arrive at an estimate of the percentage of turnover earned to date. Management regularly reviews underlying estimates of total expected labour costs. Revisions to estimates are reflected in the period in which the facts that gave rise to the revisions became known. If the outcome of the contract cannot be reliably estimated, then turnover is recognised to the extent that costs are recoverable from the client.

Turnover from the sale of software products or hardware which does not have an associated service obligation is recognised on delivery of the product. Where significant modification, implementation or customisation is required, turnover is recognised on a percentage of completion basis.

Turnover from sales of third party vendor products, such as software licences and hardware, or services are recorded gross when the company is a principal to the transaction and are recorded net of costs when the company is acting as an agent between the client and vendor. Factors generally considered to determine whether the company is a principal or an agent are if the company is the primary obligor to the client, if it adds meaningful value to the vendor's product or service or if it assumes delivery and credit risks.

Estimated losses on contracts are recognised in the period in which the loss is determined to be probable. Contract losses are measured at the amount by which the estimated total costs exceed the estimated total turnover from the contract.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

2.5 Contract costs

Contract costs are mainly incurred when acquiring or implementing long term outsourcing contracts. Contract costs are comprised primarily of transition costs and are recorded at cost.

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

Pre contract costs associated with acquiring or implementing long term outsourcing contracts are expensed as incurred except where it is virtually certain that the contract will be awarded and the costs are directly related to the acquisition of the contract.

Contract costs are amortised on a straight line basis as services are provided over the contract term.

When a contract is not expected to be profitable, the expected loss is first applied to impair the related contract costs, secondly to impair any related tangible fixed assets, with any excess recorded as a provision and presented in other long term liabilities. At a future date, if the contract returns to profitability, the previously recognised impairment loss is 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 amortisation, had no impairment loss been recognised for the contract costs in prior years.

2.6 Cash at bank

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less and have insignificant penalties for withdrawal.

2.7 Trade and other debtors

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

2.8 Work in progress and Deferred Income

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 is classified as deferred revenue.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

2.9 Funds held for clients and client's funds obligations

In connection with the company's payroll services, the company collects funds for payment of payroll and temporarily holds such funds until payment is due and then remits the funds to the clients' employees. The funds held for clients comprise of cash. The company presents the funds held for clients and related obligations separately. Funds held for clients are classified as current assets since, based upon management's intentions, these funds are held solely for the purpose of satisfying the clients' funds obligations, which will be repaid within one year of the balance sheet date.

2.10 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.11 Pensions

The company operates pension plans of both a defined contribution and defined benefit nature. The cost of defined contribution plans is charged to the profit and loss account on the basis of contributions payable by the company during the period. For defined benefit plans, the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. A retirement benefit asset is recognised to the extent that the company can benefit from refunds or a reduction in future contributions.

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

The current service cost of defined benefit plans is recognised in the profit and loss account as staff cost. The net interest cost calculated by applying the discount rate to the net defined benefit liability or asset is recognized as net finance cost or income.

A past service cost is recognised immediately to the extent that benefits are already vested, or is otherwise amortised on a straight line basis over the average period until the benefits become vested. Actuarial gains and losses arising from experience adjustments or changes in actuarial assumptions are charged or credited in the Statement of Comprehensive Income in the year in which they arise.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly. The value of a net pension benefit asset is restricted to the

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

2.11 Pensions (continued)

present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

2.12 Share-based payment

The cost of share based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the profit and loss account. The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value at the grant date of the shares or share options awarded and the number that are expected to vest. The assumptions underlying the number of awards expected to vest are subsequently adjusted to reflect conditions prevailing at the balance sheet date. At the vesting date of an award, the cumulative expense is adjusted to take account of the awards that actually vest.

2.13 Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to a deferred income account and are released as income by equal annual amounts over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

2.14 Dividends

Dividends are recognised when the Company's right to receive payment is established.

2.15 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probably and can be measured reliably.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

2.16 Other intangible assets

Intangible assets consist mainly of internal use software, Business solutions (development cost), software licenses and client relationships. Internal use software, development cost and software licenses are recorded at cost. Business solutions (development cost) developed internally and marketed are capitalized when they meet specific capitalization criteria related to technical, market and financial feasibility. Internal use software developed internally is capitalized when it meets specific capitalization criteria related to technical and financial feasibility and when the Company demonstrates its ability and intention to use it. Development costs not meeting these criteria, and all research costs, are expensed in the profit and loss account as incurred. Capitalised development costs are amortised on a straight line basis over their useful economic lives at the rate shown below once the related software product or enhancement is available for use.

Amortisation is provided at the following rates:

Purchased software	3 – 8 years
Internal software	2 – 7 years
Development costs	2 – 10 years
Contract costs	term of respective contract
Client relationships	2 – 10 years

2.17 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided on all property, plant and equipment, other than land, on a straight line basis over its expected useful life as follows:

Depreciation is provided on the following basis:

Buildings	- 10 - 40 years
Leasehold improvements	- Over life of lease
Fixtures and fittings	- 5 - 10 years
Computer equipment	- 3 - 5 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

2.18 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

2.19 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

The Company assesses at each reporting date whether there is an indication that an investment may be impaired. If any such indication exists, or when annual impairment testing for an investment is required, the Company makes an estimate of recoverable amount in order to determine the extent of the impairment loss. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.20 Provisions

Provisions are recognised 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. Provisions are discounted where the time value of money is material.

2.21 Restoration costs

Where it is a condition of the lease agreement, a provision to restore a leasehold property back to its original condition at inception of the lease, is raised as the liability is created. The amount recognised is the best estimate of the expenditure required to settle the obligation at the balance sheet date.

A corresponding asset, is capitalised as part of the cost of leasehold improvements and is depreciated over the life of the lease.

2.22 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term. Operating lease incentives are recognised as a reduction in the rental expense over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

2.23 Foreign currencies

Functional and presentation currency:

The Company's functional and presentational currency is GBP. For each branch the company determines the functional currency and items included in the financial statements of each branch are measured using that functional currency.

Transactions and balances:

Transactions denominated in foreign currencies are translated into the functional currency of the entity's operation at the rates prevailing at the dates of the individual transactions. Foreign currency monetary assets and liabilities are translated at the rates prevailing at the balance sheet date. Exchange gains and losses arising are charged or credited to net operating costs in the profit and loss account. The profit and loss account and balance sheet of foreign branches are translated into pounds sterling on consolidation at the average rates for the period and the rates prevailing at the balance sheet date respectively and the exchange gains or losses arising are recognised in the Statement of other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.24 Taxation

Corporation tax is provided on taxable profits at amounts expected to be paid, or recovered, under tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised to take account of timing differences between the treatment of transactions for financial reporting purposes and their treatment for tax purposes. A deferred tax asset is only recognised when it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in periods in which the timing differences are expected to reverse, based on the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non discounted basis.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)**2.25 Leasing and hire purchase**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease and hire purchase contracts are depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental obligation is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.26 Financial instruments**i) Financial assets:****Initial recognition and measurement:**

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company's financial assets include cash and short-term deposits, trade and other receivables, loan notes and derivative financial instruments.

Subsequent measurement:

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the income statement.

Foreign currency hedging on future revenue:

The Company uses financial instrument to manage its exposure to fluctuations in foreign currency exchange rate. Derivative financial instruments are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to fair value at the end of each reporting date.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wished to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the effectiveness of changes in the hedging instruments' fair value in offsetting the exposure to changes in the hedged items' fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an on going basis to determine that they

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedge:

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

Loans and receivable:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other finance income in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

ii) Financial liabilities

Initial recognition and measurement:

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement:

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Loans and borrowings:

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derivative financial instruments and hedging:

The Company uses derivative financial instruments such as forward currency contracts and to hedge its risks associated with foreign currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. Accounting policies (continued)

subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derecognition of financial liabilities:

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

iv) Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

Multiple component arrangements (Judgement):

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

Deferred tax assets (Judgement and Estimate):

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgement is required concerning uncertainties that exist with respect to the timing of future taxable income required to recognize a deferred tax asset. The Company recognizes an income tax benefit only when it is probable that the tax benefit will be realized in the future. In making this judgement, the Company assesses forecasts and the availability of future tax planning strategies. Further details are contained in note 25.

Defined benefit pension schemes (Estimate):

The cost of defined benefit pensions plans are determined using actuarial valuations. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. The actuarial valuations used to determine the cost of defined benefit pension plans and their present value involve making assumptions about discount rates, future salary and pension increases, inflation rates and mortality. Any changes in these assumptions will impact the carrying amount of pension obligations. In determining the appropriate discount rate management considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Further details are given in note 30.

Development costs (Judgement and Estimate):

Development costs are capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. Further details are given in note 14.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

4. Turnover

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	814,867	823,490
Rest of Europe	3,516	7,462
Rest of the World	13,814	12,649
	<u>832,197</u>	<u>843,601</u>

An analysis of turnover by class of business is as follows:

	2018 £000	2017 £000
Outsourcing services	464,549	492,276
Systems integration and consulting services	367,648	351,325
	<u>832,197</u>	<u>843,601</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

5. Operating profit

The operating profit is stated after charging:

	2018 £000	Restated 2017 £000
Depreciation of tangible fixed assets (note 16)	14,234	20,297
Amortisation of intangible assets (note 14)	23,204	21,323
Foreign exchange loss	1,068	1,095
Auditor's remuneration (note 6)	327	364
Defined contribution pension cost (note 7 and 30)	18,586	19,787
Loss on disposal of tangible and intangible assets	2,046	-
Operating lease payments		
Operating lease rentals - buildings	8,525	10,161
Operating lease rentals - other	441	232

Historically, the company has reported all salary sacrifice pension contributions within the cost of the defined contribution scheme. In the year ended 30 September 2018, the company has revised the approach to better reflect the employer cost within the Cost of the defined contribution scheme, and this has resulted in a restatement of the amounts reported for the year ended 30 September 2017.

6. Auditor's remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2018 £000	Restated 2017 £000
Fees for assurance services	538	512
	<u>538</u>	<u>512</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the Parent Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

7. Employees

Staff costs were as follows:

	2018	Restated 2017
	£000	£000
Wages and salaries	280,809	292,306
Social security costs	33,448	30,468
Cost of defined benefit scheme	1,938	1,748
Cost of defined contribution scheme	18,586	19,787
	<u>334,781</u>	<u>344,309</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018	Restated 2017
	No.	No.
Billable employees	4,743	5,253
Non-billable employees	658	617
	<u>5,401</u>	<u>5,870</u>

Historically, the company has reported all salary sacrifice pension contributions within the cost of the defined contribution scheme. In the year ended 30 September 2018, the company has revised the approach to better reflect the employer cost within the Cost of the defined contribution scheme and gross up the cost of wages and salaries for any employee contributions. This has resulted in a restatement of the amounts reported for the year ended 30 September 2017.

The average monthly number of employees, including directors, as reported in the financial statements for the year ended 30 September 2017, have been restated to remove head count in relation to sub-contractors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

8. Directors' remuneration

	2018 £000	2017 £000
Remuneration	1,150	673
	<u>1,150</u>	<u>673</u>

The highest paid director received remuneration of £570,000 (2017: £373,000), inclusive of £200,000 (2017:£nil) for payments made as compensation for loss of office.

During the year ended 30 September 2018, remuneration of £1,150,000 (2017: £673,000) in respect of three of the company's directors (2017: two directors) was borne and paid by this company.

During the year ended 30 September 2018, payments made as compensation for loss of office totalled £200,000 (2017: £nil).

Directors Remuneration (continued)

	2018	2017
Number of directors accruing benefits under defined benefit scheme	-	-
Number of directors who received shares in respect of qualifying services	3	2
Number of directors who exercised share options	<u>2</u>	<u>-</u>

9. Interest receivable

	2018 £000	2017 £000
Interest receivable from group companies (see note 28)	2,660	-
	<u>2,660</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

10. Interest payable and similar charges

	2018 £000	2017 £000
Bank interest payable	56	156
Loans from group undertakings	1,071	1,669
Finance leases and hire purchase contracts	197	369
	<u>1,324</u>	<u>2,194</u>

11. Other finance income

	2018 £000	2017 £000
Net interest on net defined benefit liability (Note 30)	(334)	(188)
Foreign exchange (loss)	(1,068)	(1,095)
	<u>(1,402)</u>	<u>(1,283)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**
12. Taxation

(a) Tax charged in the income statement

	2018 £000	2017 £000
Corporation tax		
UK Corporation tax	7,465	3,490
Adjustments in respect of previous periods	(354)	-
	<u>7,111</u>	<u>3,490</u>
Foreign tax		
Foreign tax on income for the year	1,296	335
	<u>1,296</u>	<u>335</u>
Total current tax	<u><u>8,407</u></u>	<u><u>3,825</u></u>
Deferred tax		
Accelerated capital allowances	1,244	2,561
Tax loss carried forward	7,847	1,796
Pensions and post-employment benefits	1,785	1,472
Other temporary differences	372	(671)
Change in tax laws and rates	(398)	601
Total deferred tax	<u><u>10,850</u></u>	<u><u>5,759</u></u>
Taxation on profit on ordinary activities	<u><u>19,257</u></u>	<u><u>9,584</u></u>
b) Tax relating to items charged or credited to other comprehensive income		
Current tax:	2018	2017
Stock option expense	(702)	-
Deferred tax:		
Actuarial gains/(losses) on defined benefit pension plans	4,081	(2,277)
Stock option expenses	(745)	(2,487)
Net gain on revaluation of cash flow hedges	60	55
Tax expense in the statement of other comprehensive income	<u><u>2,694</u></u>	<u><u>(4,709)</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**
12. Taxation (continued)**(c) Reconciliation of total tax charge**

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19.0% (2017 - 19.5%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	<u>189,944</u>	<u>117,501</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2017 - 19.5%)	36,089	22,913
Effects of:		
Expenses not deductible for tax purposes	1,076	298
Higher rate taxes on overseas earnings	1,296	335
Taxes overprovided in previous years	(1,291)	(5,631)
Non-taxable income	(14,638)	(8,932)
Change in tax laws and rate	(398)	601
Losses claimed from fellow subsidiaries for nil consideration	(2,877)	-
Total tax charge for the year	<u>19,257</u>	<u>9,584</u>

(d) Change in Corporation tax rate

The Finance Act 2016 will reduce the main rate of corporation tax to 17% from 1 April 2020.

13. Dividends

	2018 £000	2017 £000
Dividends paid	180,000	-
	<u>180,000</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**
14. Intangible assets

	Purchased software	Internal software	Develop- ment costs	Contract costs	Client relationship	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 October 2017	26,263	21,485	7,654	79,820	3,700	138,922
Additions - external	1,417	(393)	85	8,695	-	9,804
Disposals	(5,586)	(5,429)	(702)	(2,485)	-	(14,202)
At 30 September 2018	22,094	15,663	7,037	86,030	3,700	134,524
Amortisation						
At 1 October 2017	16,089	17,563	4,139	41,733	1,586	81,110
Charge for the year	4,966	781	2,098	14,831	528	23,204
On disposals	(5,586)	(5,429)	(702)	(639)	-	(12,356)
At 30 September 2018	15,469	12,915	5,535	55,925	2,114	91,958
Net book value						
At 30 September 2018	6,625	2,748	1,502	30,105	1,586	42,566
At 30 September 2017	<u>10,174</u>	<u>3,922</u>	<u>3,515</u>	<u>38,087</u>	<u>2,114</u>	<u>57,812</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

15. Goodwill

	2018 £000
Cost	
At 1 October 2017	7,779
At 30 September 2018	7,779
Amortisation	
Net book value	
At 30 September 2018	7,779
<i>At 30 September 2017</i>	<i>7,779</i>

Goodwill impairment:

The carrying value of goodwill is tested for impairment annually on 30 September or earlier if events or changes in circumstances indicate that the carrying value may be impaired. In order to determine if a goodwill impairment test is required, management reviews different factors on a quarterly basis such as changes in technological or market environment, changes in assumptions used to derive the weighted average cost of capital ("WACC") and actual financial performance compared to planned performance.

The Company completed the annual impairment test as at 30 September 2018 and did not identify any impairment.

Value in use is calculated by forecasting the cash flows that the asset is expected to generate and discounting them to their present value. Where individual assets do not generate independent cash flows, a group of assets (an income-generating unit) is tested for impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**
16. Tangible fixed assets

	Freehold property £000	L/Term Leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 October 2017	15,518	27,498	17,402	79,590	140,008
Additions	130	3,501	404	5,411	9,446
Disposals	(3,818)	(15,197)	(12,210)	(23,387)	(54,612)
Exchange adjustments	-	-	2	-	2
At 30 September 2018	<u>11,830</u>	<u>15,802</u>	<u>5,598</u>	<u>61,614</u>	<u>94,844</u>
Depreciation					
At 1 October 2017	6,299	22,603	15,372	55,805	100,079
Charge for the year	482	2,864	844	10,044	14,234
Disposals	(3,618)	(15,197)	(12,210)	(23,387)	(54,412)
Exchange adjustments	-	-	2	(1)	1
At 30 September 2018	<u>3,163</u>	<u>10,270</u>	<u>4,008</u>	<u>42,461</u>	<u>59,902</u>
Net book value					
At 30 September 2018	<u>8,667</u>	<u>5,532</u>	<u>1,590</u>	<u>19,153</u>	<u>34,942</u>
At 30 September 2017	<u>9,219</u>	<u>4,895</u>	<u>2,030</u>	<u>23,785</u>	<u>39,929</u>

Computer equipment: The net book value of assets held under finance leases, included above amounting to £339,000 (2017 - £ 169,000).

The net book value of the freehold land and buildings may be further analysed as follows

	2018 £000	2017 £000
Land and Buildings:		
Land	2,289	2,489
Buildings	6,378	6,730
	<u>8,667</u>	<u>9,219</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

17. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 October 2017	922,041
Foreign exchange movement	8,363
At 30 September 2018	930,404
Net book value	
At 30 September 2018	930,404
At 30 September 2017	922,041

Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
CGI France SAS	Ordinary	100%	IT Consulting
CGI (Philippines) Inc.	Ordinary	99.99%	IT Consulting
CMG Pension Trustees Limited	No shares	100%	Dormant
Logica Qatar WLL	Ordinary	49%	IT Consulting

Indirect Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Avinci AG	Ordinary	100%	IT Consulting
CGI Luxembourg S.A.	Ordinary	100%	IT Consulting
CGI Technologies et Solutions Maroc SAS	Ordinary	100%	IT Consulting
CGI Italia srl	Ordinary	100%	IT Consulting
CGI Suisse Sàrl	Ordinary	100%	IT Consulting

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

Name	Registered office
CGI France SAS	Immeuble CB 16, 17 Place des Reflets, 92400 Courbevoie, France.
CGI (Philippines) Inc.	2nd Floor, One World Square Building, Upper McKinley Hill, Taguig City, 1634, Philippines
CMG Pension Trustees Limited	14th Floor, 20 Fenchurch Street, London EC3M 3BY, United Kingdom.
Logica Qatar WLL	Commercial Bank Plaza, Level 15, P.O. Box 27111, West Bay, Doha, Qatar.
Avinci AG	Leinfelder Str. 60, 70771 Leinfelden-Echterdingen, Germany.
CGI Luxembourg S.A.	7, Zone d'Activité Bourmicht, L-8070-Bertrange, Luxembourg.
CGI Technologies et Solutions Maroc SAS	Casablanca Nearshore, Park 1100 - Boulevard El Qods Quartier Sidi Maârouf, Casablanca, Morocco.
CGI Italia srl	Viale Abruzzi n. 94 – 20131 Milano, Italy.
CGI Suisse Sàrl	c/o Wealthings S.A., chemin Frank-Thomas 34, 1208 Genève, Switzerland.

18. Debtors

	2018	2017
	£000	£000
Due after more than one year		
Amounts owed by group undertakings	1,140	38,448
Other debtors	3,889	3,491
Amounts recoverable on long term contracts	1,292	2,050
Deferred taxation (note 25)	28,966	44,130
	<u>35,287</u>	<u>88,119</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

18. Debtors (continued)

	2018 £000	2017 £000
Due within one year		
Trade debtors	61,340	61,557
Amounts owed by group undertakings	74,776	4,543
Funds held for clients	2,520	2,640
Other debtors	2,680	4,349
Prepayments and accrued income	103,748	89,235
Tax recoverable	2,603	5,362
Deferred taxation (note 25)	8,687	7,769
	<u>256,354</u>	<u>175,455</u>

19. Cash at bank

	2018 £000	2017 £000
Cash at bank	15,423	37,247
	<u>15,423</u>	<u>37,247</u>

20. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Other loans	3,055	4,162
Deferred income	51,386	43,203
Trade creditors	24,310	20,352
Amounts owed to group undertakings	19,739	15,309
Client fund obligations	2,520	2,640
Corporation tax	5,191	4,601
Other taxation and social security	22,377	26,111
Obligations under finance lease and hire purchase contracts	101	206
Other creditors	5,370	4,977
Accruals	99,519	66,648
Cash flow hedge	1,652	2,004
	<u>235,220</u>	<u>190,213</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

21. Creditors: Amounts falling due after more than one year

	2018 £000	2017 £000
Other loans	1,537	4,402
Net obligations under finance leases and hire purchase contracts	188	422
Amounts owed to group undertakings	45,942	61,704
Deferred income	26,505	27,094
Preference shares	100	100
	<u>74,272</u>	<u>93,722</u>

22. Loans

Analysis of the maturity of loans is given below:

	2018 £000	2017 £000
Amounts falling due within one year		
Other loans	3,055	4,162
	<u>3,055</u>	<u>4,162</u>
Amounts falling due 1-2 years		
Other loans	1,384	2,870
	<u>1,384</u>	<u>2,870</u>
Amounts falling due 2-5 years		
Other loans	153	1,532
	<u>153</u>	<u>1,532</u>
Total other loans	<u>4,592</u>	<u>8,564</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**
23. Obligation under finance leases

Future minimum lease payments for:

	2018	2017
	£000	£000
Within one year	101	206
Between 1-5 years	188	422
	<u>289</u>	<u>628</u>

The present value of minimum lease payments is analysed as follows:

	2018	2017
	£000	£000
Within one year	98	199
Between 1-5 years	182	414
	<u>280</u>	<u>613</u>

24. Operating lease commitments

	Land and buildings 2018	Other 2018	Land and buildings 2017	Other 2017
	£000	£000	£000	£000
Within one year	8,049	590	11,770	665
Between 2 and 5 years	15,625	439	9,927	1,106
After more than 5 years	8,494	-	1,222	-
	<u>32,168</u>	<u>1,029</u>	<u>22,919</u>	<u>1,771</u>

The majority of the lease agreements are renewable at the end of the lease period at market rates. The lease expenditure charged to the earnings, during the year was £8,524,000 (2017: £10,392,000), net of sublease income. The sublease income for the current year was £4,122,000 (2017: £5,596,000).

The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 30 September 2018 is £518,000 (2017: £4,641,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

25. Deferred Taxation

	2018 £000	2017 £000
The movement on the deferred tax included in debtors (note 18) was as follows:		
At beginning of year	51,899	52,949
Charged to the profit or loss	(10,850)	(5,759)
Charged to other comprehensive income	(3,396)	4,709
At end of year	<u>37,653</u>	<u>51,899</u>

The deferred tax asset is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	18,497	19,523
Tax losses carried forward	18,543	25,767
Pensions and post-employment benefits	(2,734)	2,944
Cash flow hedge	281	341
Other timing differences	3,066	3,324
	<u>37,653</u>	<u>51,899</u>

Changes to the UK Corporation tax rates were substantively enacted as part of Finance Act 2015 (on 26 October 2015) and Finance Act 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and 17% from 1 April 2020. Deferred taxes balances have been calculated at the rates for the period when the temporary differences are expected to be unwind, which have been substantially enacted at the balance sheet date.

Deferred tax assets have not been recognised in respect of tax losses of £32,197,000 (2017:£32,156,000) arising from non-trading loan relationships because it is not considered probable that future income from non-trading loan relationship will be available against which they can be realised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**
26. Provisions

	Vacant- Property	Restruct- uring	Contract- losses	Restora- tion cost	Total
	£000	£000	£000	£000	£000
At 1 October 2017	3,378	3,295	15,411	10,450	32,534
Charged to profit and loss	193	5,235	5,855	807	12,090
Amounts reversed	(96)	-	(11,665)	(785)	(12,546)
Amounts utilised	(2,407)	(7,492)	(3,494)	(4,351)	(17,744)
Unwinding of discount	16	-	-	65	81
Foreign exchange	-	-	15	-	15
At 30 September 2018	1,084	1,038	6,122	6,186	14,430

Vacant property

At 30 September 2018, provisions for vacant property represented residual lease commitments, together with associated outgoings, for the remaining period on certain leased properties not occupied by the company. The measurement of the provision takes into account income from any sub tenant arrangements and is discounted to present value at the balance sheet date. The provision is expected to be fully utilised in 2019.

The key source of estimation uncertainty in respect of vacant property provisions is the timing and amount of future rental income from sub tenants. This has a risk of causing a material adjustment to the value of provisions.

Restructuring

At 30 September 2018, a provision of £1,038,000 (2017: £3,295,000) remains in respect of redundancy costs, which is expected to be fully utilised within the following financial year.

Contract losses

In line with the company's accounting policy, a provision for contract losses is created when a contract is no longer expected to be profitable. In such circumstances, any intangible or tangible fixed assets are first impaired, and then the balance of any loss is recognised as a contract loss provision. At 30 September 2018, contract loss provisions existed for a small number of long term contracts. The provision is expected to be fully utilised by 2022.

Restoration costs

At 30 September 2018, the company held provisions for restoration liabilities on its leased property portfolio for the expected cost to restore properties back to their original condition at the inception of the lease. A provision for the expected costs of restoration is recognised at the outset of the lease during the course of fit out works and discounted to present value at the balance sheet date. The provision is expected to be fully utilised by 2026.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

27. Share capital

	2018	2017
	£000	£000
Shares classified as equity		
Allotted, called up and fully paid		
621,787,600- ordinary shares of £1 each	<u>621,788</u>	<u>621,788</u>

Deferred shareholders are not entitled to receive dividends, be notified of or vote at General Meetings. The holders are entitled to the amount paid up on deferred shares on liquidation after ordinary shareholders have been paid the sum of £100,000 per share.

	2018	2017
	£000	£000
Shares classified as Preference shares		
Allotted, called up and fully paid		
100,000- deferred shares of £1 each	<u>100</u>	<u>100</u>

28. Reserves

Reserves movements are disclosed in the the Statement of Changes in Equity.

Foreign exchange reserve

The foreign exchange reserve is used to record the foreign exchange gain / (loss) on translation of the foreign branches.

Cash flow hedge reserve

The cash flow hedge reserve is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Profit and loss account

Profit and loss account includes retained earnings and cumulative amount of actuarial gains and losses on pension as of the year end.

Non-cash distribution to intermediate parent entity:

On the 28th September 2017 the company signed an interest free intercompany loan agreement with an intermediate parent entity that had a repayment term of 2 years. The interest free loan receivable of £40,000,000 was discounted at a 3.5% interest rate to its fair value of £37,340,00 at 30 September 2017. The loan was settled earlier than expected in the year ended 30 September 2018. As a result the discount was unwound in the year ended 30 September 2018 (see note 9).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

29. Share based payments

CGI Inc. Stock Options

Under the CGI Inc. (CGI) Stock Option plan, the CGI Board of Directors "the Board" may grant at its discretion, stock options to purchase Class A subordinate shares to certain employees, officers, directors and consultants of the Company and its subsidiaries. The fair value of those share-based payments is established on the grant date using the Black-Scholes option pricing model for the stock options and the closing price of Class A subordinate shares of the Company on the Toronto Stock Exchange. The exercise price is established by the Board and is equal to the closing price of the Class A subordinate shares on the Toronto Stock Exchange on the day preceding the date of the grant. Stock options generally vest over four years from the date of grant conditionally upon achievement of objectives and must be exercised within a ten year period, except in the event of retirement, termination of employment or death.

	Weighted average exercise price (pence) 2018	Number 2018	Weighted average exercise price (pence) 2017	Number 2017
Outstanding at the beginning of the year	2815	1,850,433	2296	2,018,507
Granted during the year	4885	195,592	3468	451,298
Forfeited during the year	3559	(296,454)	3068	(410,669)
Exercised during the year	2043	(379,807)	1699	(208,703)
Outstanding at the end of the year	3211	1,369,764	2815	1,850,433
Exercisable	2460	704,346	2113	893,967
Exercisable at the end of the year	2460	704,346	2113	893,967

The weighted average share price at the date of exercise of share options exercised during the year was £48.85 (2017: £37.98).

The fair value of CGI Inc share options granted in 2018 and 2017 financial year/period and the assumptions used in the calculation of their fair value on the date of grant were as follows:

	2018	2017
Share price (£)	48.85	37.98
Exercise price (£)	48.85	37.98
Vesting period (years)	4.0	4.0
Expected volatility (%)	19.75	22.32
Expected life (years)	4.0	4.0
Risk-free interest rate (%)	2.21	1.71

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

30. Pension commitments

DEFINED CONTRIBUTION SCHEMES

The company operates a number of voluntary pension schemes of the defined contribution type under which contributions are paid by the company. The pension cost charge for defined contribution schemes amounted to £18,586,000 for the year ended 30 September 2018 (2017: £19,787,000 Restated*).

*Historically, the company has reported all salary sacrifice pension contributions within the cost of the defined contribution scheme. In the year ended 30 September 2018, the company has revised the approach to better reflect the employer cost within the Cost of the defined contribution scheme, and this has resulted in a restatement of the amounts reported for the year ended 30 September 2017.

DEFINED BENEFIT SCHEMES

The Company is a participating employer in three defined benefit pension schemes: the Logica Defined Benefit Pension Plan, the CMG UK Pension Scheme and the Logica UK Pension and Life Assurance Scheme.

The schemes are subject to independent valuations at least every three years, on the basis of which the qualified actuary certifies the rate of employer contributions which, together with any specified contributions payable by the employees and proceeds from the scheme's assets, are expected to be sufficient to fund the benefits payable under the schemes. The results of the latest full actuarial valuations, for funding purposes, are set out below:

Logica Defined Benefit Pension Plan

The last funding valuation of this scheme was performed in September 2015. Based on the assumptions adopted in the Statement of Funding Principles, the scheme had a deficit of £4,700,000. A recovery plan was agreed with the trustees and the company will pay £1,103,000 annually over 4 years from January 2017 to December 2020 to reduce this deficit.

CMG UK Pension Scheme

This scheme has been closed to new entrants since November 2000 and was closed for further accrual of benefits on 30 April 2010. A funding valuation was performed in September 2015 and based on the actuarial assumptions in the Statement of Funding Principles, the scheme had a deficit of £66,422,000. The company has agreed a revised recovery plan with the trustees and will pay £8,900,000 annually, increasing at 3% per year, for a period of 6 years and 8 months from 1 January 2017 to 31 August 2023.

Logica UK Pension and Life Assurance Scheme

A funding valuation was performed in September 2015, which reported a scheme surplus of £65,000. No deficit contributions will be made as the scheme is in surplus.

Regular employer contributions into the Logica Defined Benefit Pension Plan and the Logica UK Pension and Life Assurance Plan, the two schemes with active members, for future accrual of benefits are 43.3% and 46.9% of pensionable salary, respectively. Combined with the deficit contributions referred to above and pension scheme operating expenses, the company expects to contribute approximately £11,942,000 (2017: £11,779,000) to defined benefit pension schemes in the coming year.

The Company operates a Defined Benefit Pension Scheme.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

30. Pension commitments (continued)

Reconciliation of present value of plan liabilities:

	2018 £000	2017 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	472,310	476,784
Current service cost	801	932
Contribution from scheme members	111	68
Interest cost	12,444	10,899
Actuarial (gain) due to change in financial assumptions	(16,126)	(13,329)
Actuarial (gain) due to change in demographic assumptions	(2,212)	(7,232)
Benefits paid	(18,474)	(10,850)
Actuarial loss due to experience	1,789	15,038
At the end of the year	<u>450,643</u>	<u>472,310</u>

Reconciliation of present value of plan assets:

	2018 £000	2017 £000
At the beginning of the year	454,994	464,198
Interest income on plan assets	12,110	10,711
Contribution from scheme members	111	68
Return on plan assets excluding interest income	7,452	(18,918)
Contributions	11,668	10,601
Benefits paid	(18,474)	(10,850)
Admin expenses	(1,137)	(816)
At the end of the year	<u>466,724</u>	<u>454,994</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**
30. Pension commitments (continued)

Composition of plan assets:

	2018	2017
	£000	£000
Equities	201,443	139,168
Bonds	117,661	109,301
Property funds	20,386	19,292
Cash	10,180	44,749
Liability driven investment	117,054	142,484
Total plan assets	<u>466,724</u>	<u>454,994</u>

The expected return rates on government bonds and corporate bonds is determined by reference to market yields at the end of the reporting year for bonds of a similar term to those held as plan assets. The expected rate of return on equities is determined by reference to real historical equity market returns. The overall expected rate of return on plan assets is calculated as a weighted average of the expected rates of return of individual asset classes. The weighted average is calculated by reference to the amount in each class of plan assets at the end of the reporting year.

	2018	2017
	£000	£000
Fair value of plan assets	466,724	454,994
Present value of plan liabilities	(450,643)	(472,310)
Net pension scheme asset/(liability)	<u>16,081</u>	<u>(17,316)</u>
Defined benefit pension plan surplus	16,081	6,861
Defined benefit pension plan deficit	-	(24,177)
Net pension scheme asset/(liability)	<u>16,081</u>	<u>(17,316)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**
30. Pension commitments (continued)

The amounts recognised in profit or loss are as follows:

	2018 £000	2017 £000
Net Interest on obligation	(334)	(188)
Current service cost	(801)	(932)
Total	<u>(1,135)</u>	<u>(1,120)</u>
Administration expenses	(1,137)	(816)
	<u>(1,137)</u>	<u>(816)</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was £66,828,000 (2017 - £42,827,000).

	2018 £000	2017 £000
Analysis of actuarial gains/(losses) in Statement of Other Comprehensive Income		
Actual return less interest income included in net interest income	7,452	(18,918)
Experience gains and (losses) arising on the scheme liabilities	(1,789)	(15,038)
Changes in assumptions underlying the present value of the scheme liabilities	18,338	20,561
	<u>24,001</u>	<u>(13,395)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

30. Pension commitments (continued)

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2018 %	2017 %
Discount rate	2.83	2.69
Future salary increases	3.40	3.48
Future pension increases	3.40	3.38
Inflation assumption	3.32	3.48
Mortality rates		
- for a male aged 65 now	21.9	22.1
- at 65 for a male aged 45 now	23.3	23.5
- for a female aged 65 now	23.8	23.9
- at 65 for a female member aged 45 now	<u>25.4</u>	<u>25.4</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

30. Pension commitments (continued)

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the country. Mortality assumptions for the most significant based on the following post-retirement mortality tables for the year ended 30 September 2018.

The following table shows the sensitivity of the defined benefit obligations to changes in the principal actuarial assumptions:

As at 30 September 2018

Increase of 0.25% in discount rate	(19,484)
Decrease of 0.25% in discount rate	20,406
Increase of 0.25% in salary increase rate	283
Decrease of 0.25% in salary increase rate	(280)
Increase of 0.25% in pension increase rate	9,818
Decrease of 0.25% in pension increase rate	(9,575)
Increase of 0.25% in inflation	15,594
Decrease of 0.25% in inflation	(14,702)
Increase of one year in life expectancy	11,068
Decrease of one year in life expectancy	(11,017)

As at 30 September 2017

Increase of 0.25% in discount rate	(20,531)
Decrease of 0.25% in discount rate	21,865
Increase of 0.25% in salary increase rate	347
Decrease of 0.25% in salary increase rate	(343)
Increase of 0.25% in pension increase rate	10,238
Decrease of 0.25% in pension increase rate	(9,748)
Increase of 0.25% in inflation	16,389
Decrease of 0.25% in inflation	(15,517)
Increase of one year in life expectancy	13,149
Decrease of one year in life expectancy	(13,098)

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

Amounts for the current and previous period are as follows:

	2018 £000	2017 £000
Defined benefit obligation	(450,643)	(472,310)
Scheme assets	466,724	454,994
Surplus / (Deficit)	16,081	(17,316)
Experience adjustments - on scheme liabilities	(1,789)	(15,038)
Experience adjustments - on scheme assets	7,452	(18,918)
	5,663	(33,956)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

31. Contingent liabilities

As at 30 September 2018, the Company was the guarantor of obligations of CGI Inc. under a reformulated and amended credit contract for the sum of CA \$1,500,000,000 that expires in December 2022*, with a group of lenders represented by National Bank of Canada, as agent. The Company was also a guarantor of obligations of CGI Inc. in an issue of promissory notes on 15 December 2011 and on 12 September 2014; as at 30 September 2018, amounts of CA \$504,075,000 and CA\$1,025,992,000 were drawn, respectively.

From 14th of March 2019 the Company is a guarantor of obligations of CGI Inc. under an unsecured committed term loan credit facility for a notional amount of U.S.\$500,000,000 expiring in December 2023

The Company is currently involved in litigation against a former sub-contractor. The Company is claiming £18,695,234.72 plus interest and costs against the former sub-contractor. The former sub-contractor is claiming £34,154,890 plus interest and costs against the Company. The claim will be heard in November 2019. The outcome of the claim remains uncertain

32. Related party transactions

As a wholly owned subsidiary undertaking of the ultimate parent undertaking, CGI Inc., the company has taken advantage of the exemption under FRS 101, the requirements in IAS 24 'Related Party Disclosures' from disclosing transactions with other members of the group headed by CGI Inc., whose accounts are publicly available.

Transactions with directors are disclosed in note 8.

CGI IT UK Limited owns 49% of shares in Logica Qatar WLL. Transactions with Logica Qatar WLL in the year were as follows

Long term receivable	£404,000 (2017: £392,000)
Short-term intercompany receivable	£139,000 (2017: £126,000)

There were no profit and loss transactions with this entity during the year and prior year.
There were no other related party transactions during the current period or prior year.

33. Post balance sheet events

Post year end, Neil Timms was appointed as a Director on 10 January 2019.

34. Ultimate Controlling party

The Company's immediate parent company is CGI Information Systems and Management Consultants Holding SAS, a company incorporated in France. The Company's ultimate parent company and ultimate controlling party is CGI Inc., (formerly CGI Group Inc.) a company incorporated in Quebec, Canada. CGI Inc. is the parent company of the only group in which the results of the Company are consolidated. The consolidated financial statements of CGI Inc. can be obtained by visiting the Investors section on CGI's web site at www.cgi.com or by contacting Investor Relations by mail or telephone:

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