UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 40-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

Commission File Number: 001-32562

STANTEC INC.

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English (if applicable))

Canada
(Province or other jurisdiction of incorporation or organization)

8711
(Primary Standard Industrial Classification Code Number (if applicable))

N/A
(I.R.S. Employer Identification Number (if applicable))

10160 – 112 Street, Edmonton, Alberta, Canada T5K 2L6
(Address and telephone number of Registrant's principal executive offices)

Stantec Consulting Services Inc., 19 Technology Drive, Irvine, CA 92618-2334 (949) 923-6000
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

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

Title of each class	Name of each exchange on which registered
Common Shares	New York Stock Exchange

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

None.
(Title of Class)

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

None.
(Title of Class)

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

x Annual information form x Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2011 – 45,523,585 Common Shares outstanding.

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

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data

File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ¨ No ¨

DISCLOSURE CONTROLS AND PROCEDURES

The disclosure provided under “Controls and Procedures” on pages M-72 through M-73 of Exhibit 2, Management’s Discussion and Analysis, is incorporated by reference herein.

MANAGEMENT’S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The disclosure provided under “Management Report” on page F-1 of Exhibit 3, 2011 Audited Consolidated Financial Statements, is incorporated by reference herein.

AUDITOR ATTESTATION

The disclosure provided under “Independent Auditors’ Report on Internal Control Over Financial Reporting” on page F-3 of Exhibit 3, 2011 Audited Consolidated Financial Statements, is incorporated by reference herein.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The disclosure provided under “Controls and Procedures” on pages M-72 through M-73 of Exhibit 2, Management’s Discussion and Analysis, is incorporated by reference herein.

IDENTIFICATION OF THE AUDIT COMMITTEE

On December 31, 2011, Stantec’s audit and risk committee was made up of the following four members: Ivor M. Ruste (Chair), Robert J. Bradshaw, David L. Emerson, and Douglas K. Ammerman.

AUDIT COMMITTEE FINANCIAL EXPERT

Stantec’s Board of Directors has determined that it has three audit committee financial experts serving on its audit and risk committee. Ivor M. Ruste, David L. Emerson, and Douglas K. Ammerman are each an audit committee financial expert (as such term is defined in the rules and regulations of the Securities Exchange Commission) and are independent, as that term is defined by the New York Stock Exchange’s corporate governance standards applicable to Stantec. The Securities and Exchange Commission has indicated that the designation of a person as an audit committee financial expert does not impose on such person any duties, obligations or liability that are greater than those imposed on such person as a member of the audit committee and the Board of Directors in the absence of such designation and does not affect the duties, obligations or liability of any other member of the audit committee or Board of Directors.

CODE OF ETHICS

Stantec has adopted a code of ethics, entitled “Stantec Code of Ethics”. The Code of Ethics applies to all directors, officers and employees of Stantec, including Stantec’s principal executive officer, principal financial officer and principal accounting officer. Stantec requires that all officers and employees annually certify that they have read and understand the Code. The Code of Ethics is reviewed at least annually to ensure that it complies with all legal requirements and is in alignment with best practices. In the event that amendments are needed, recommendations are made to the corporate governance and compensation committee and the Board of Directors for approval. The Code of Ethics is available on Stantec’s website (www.stantec.com) under the “About – Governance” section and is available in print to any shareholder upon written request to the Secretary of Stantec.

The Board of Directors believes that providing a forum for employees and officers to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness foster a culture of ethical conduct within Stantec. Stantec’s Integrity Policy sets out our procedures for reporting and investigating observations or concerns raised by employees or officers of the company. The Integrity Policy is available at www.stantec.com. Stantec monitors compliance with its code through its integrity hotline. The integrity hotline allows officers or employees to report concerns

regarding breaches of our code in writing, over the telephone, by mail or by email. All complaints are treated as confidential, and requests to maintain anonymity are respected to the extent possible. The integrity hotline is monitored by Stantec's general counsel.

Copies of all complaints are reviewed by the chair of the Audit and Risk Committee upon receipt. A quarterly report is presented to the Audit and Risk Committee summarizing the status of any active investigations of complaints and the resolution of all complaints made through the integrity hotline.

The Board of Directors believes that its effectiveness is furthered when directors exercise independent judgment in considering transactions and agreements. As such, if at any Board of Directors' meeting a director or executive officer has a material interest in a matter being considered, such director or officer would not be present for discussions relating to the matter and would not participate in any vote on the matter.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The disclosure provided under "External Auditor Service Fees" on page 17 of Exhibit 1, Annual Information Form, is incorporated by reference herein.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

The disclosure provided under "Preapproval Policy" on page 17 of Exhibit 1, Annual Information Form, is incorporated by reference herein. No audit fees, audit-related fees, tax fees or other fees were approved by the Audit and Risk Committee pursuant to paragraph (c)(7)(i)(C) of Regulation S-X.

OFF-BALANCE SHEET ARRANGEMENTS

The disclosure provided under "Off-Balance Sheet Arrangements" on pages M-41 through M-42 of Exhibit 2, Management's Discussion and Analysis, is incorporated by reference herein.

CONTRACTUAL OBLIGATIONS

The disclosure provided under "Contractual Obligations" on page M-41 of Exhibit 2, Management's Discussion and Analysis, is incorporated by reference herein.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

Stantec undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities registered pursuant to Form 40-F, the securities in relation to which the obligation to file an annual report on Form 40-F arises, or transactions in said securities.

B. Consent to Service of Process

Stantec has previously filed with the Commission a Form F-X in connection with the Common Shares.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

STANTEC INC.

/s/ Robert J. Gomes
Robert J. Gomes
President and Chief Executive Officer

Date: February 23, 2012

EXHIBIT INDEX

Exhibit No.	Description
1.	Annual Information Form dated February 23, 2012
2.	Management's Discussion and Analysis for the year ended December 31, 2011 (pages M-1 through M-74 of the 2011 Financial Review)
3.	2011 Audited Consolidated Financial Statements (pages F-1 through F-70 of the 2011 Financial Review)
4.	Consent of Ernst & Young LLP
5.	Officers' Certifications required by Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002
6.	Officers' Certifications required by Rule 13a-14(b) or Rule 15d-14(b) pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002



FOCUS

Stantec

STANTEC INC. 2011 ANNUAL INFORMATION FORM

February 23, 2012

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Caution Regarding Forward-Looking Statements

Our public communications often include written or verbal forward-looking statements within the meaning of the US Private Securities Litigation Reform Act and Canadian securities laws. Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions and courses of action and include future-oriented financial information.

Statements of this type are contained and incorporated by reference in this report, including the discussion of our goals in the Core Business and Strategy section and of our annual and long-term targets and expectations for our regions and practice area units in the Results and Outlook sections of our management's discussion and analysis for the year, ended December 31, 2011, which have been incorporated by reference in this annual information form (as described on page 8), and may be contained in filings with securities regulators or in other communications. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives for 2012 and beyond, our strategies or future actions, our dividend policy, our targets, our expectations for our financial condition or share price, or the results of our outlook for our operations in order to describe the management expectations and targets by which we measure our success and to assist our shareholders in understanding our financial position as at and for the periods ended on the dates presented in this report. Readers are cautioned that this information may not be appropriate for other purposes.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions, projections, and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on its forward-looking statements since a number of factors could cause actual future results, conditions, actions, or events to differ materially from the targets, expectations, estimates, or intentions expressed in these forward-looking statements. Assumptions about the performance of the Canadian and US economies in 2012, and how it will affect our business, are material factors we consider in determining our forward-looking statements and are discussed in the Outlook section of our management's discussion and analysis for the year ended December 31, 2011, filed on www.sedar.com, and incorporated by reference in this annual information form.

For additional information regarding material risks and assumptions, see the discussion on pages M-1 to M-3 of our management's discussion and analysis for the year ended December 31, 2011, which is incorporated by reference in this annual information form.

We caution that different factors, including those discussed in our management's discussion and analysis and others, could adversely affect our results. Investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. The forward-looking statements contained herein represent our expectations as of February 23, 2012, and, accordingly, are subject to change after such date. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made, from time to time, by us or on our behalf. In the case of the ranges of expected performance for fiscal 2012, it is our current practice to evaluate and, where we deem appropriate, provide updates. However, subject to legal requirements, we may change this practice at any time at our sole discretion.

CORPORATE STRUCTURE

Name, Address, and Incorporation

Stantec Inc. was incorporated under the Canada Business Corporations Act on March 23, 1984, as 131277 Canada Ltd. We have amended our Articles of Incorporation on several occasions, namely to change our Company's name, amend share attributes, create and delete classes of shares, reorganize our outstanding share capital and split our common shares on a two-for-one basis, and change the minimum and maximum number of directors of our board.

On August 15, 1984, the name 131277 Canada Ltd. was changed to Stanley Engineering Group Inc. and on October 18, 1989, it was changed to Stanley Technology Group Inc. On March 30, 1994, Stanley Technology Group Inc. amalgamated with 3013901 Canada Limited to continue as Stanley Technology Group Inc. On October 28, 1998, the name Stanley Technology Group Inc. was changed to Stantec Inc.

Our head and principal office and our registered and records office are located at 10160 – 112 Street, Edmonton, Alberta, Canada, T5K 2L6.

References in this annual information form to “Stantec” and the “Company” include, as the context may require, Stantec Inc. and all or some of the companies in which it has an interest collectively or one or more of such companies. References in this annual information form to “our,” “us,” or “we” also refer to “Stantec” in the contexts explained above.

Intercorporate Relationships

The following chart lists, as at December 31, 2011, the intercorporate relationships among Stantec and its subsidiaries; the jurisdiction of incorporation of these companies; and the percentage of voting and restricted securities owned, controlled or directed by Stantec:

STANTEC INC.

SUBSIDIARY	PERCENTAGE OF VOTING SHARES	PERCENTAGE OF RESTRICTED SHARES*	JURISDICTION OF INCORPORATION
58053 Newfoundland & Labrador Inc.	100	n/a	Newfoundland and Labrador
59991 Newfoundland & Labrador Ltd.	100	n/a	Newfoundland and Labrador
3221969 Nova Scotia Company	100	100	Nova Scotia
AXYS Environmental Consulting (Barbados) Inc.	100	n/a	Barbados
Bonestroo Services, LLC[1]	100	n/a	Minnesota
BVE Development, LLC	100	n/a	Pennsylvania
International Insurance Group Inc.	100	n/a	Barbados
I.R. Wilson Consultants Ltd.	100	n/a	British Columbia
Jacques Whitford Consultants BV	100	n/a	Netherlands
Jacques Whitford Holdco Ltd.	100	n/a	Cayman Islands
Nu Nennè-Stantec Inc.	100	n/a	Alberta
RiverMorph, LLC	100	n/a	Kentucky
SEA, Incorporated	100	100	Nevada
Stantec Consulting Caribbean Ltd.	100	n/a	Barbados
Stantec Consulting Cayman Islands Ltd.	100	n/a	Cayman Islands
Stantec Consulting Colombia S.A.S.	100	n/a	Colombia
Stantec Consulting Guatemala, S.A.	100	n/a	Guatemala
Stantec Consulting International LLC	100	n/a	Arizona
Stantec Consulting International Ltd.	100	100	Canada
Stantec Consulting Labrador Ltd.	100	n/a	Newfoundland and Labrador
Stantec Consulting Ltd.	100	100	Canada
Stantec Consulting Michigan Inc.	100	n/a	Michigan

SUBSIDIARY	PERCENTAGE OF VOTING SHARES	PERCENTAGE OF RESTRICTED SHARES*	JURISDICTION OF INCORPORATION
Stantec Consulting Panama, S.A.	100	n/a	Panama
Stantec Consulting Services Inc.	100	100	New York
Stantec Delaware II LLC	100	n/a	Delaware
Stantec Experts-conseils ltée	100	n/a	Canada
Stantec Holdings (Delaware) III Inc.	100	100	Delaware
Stantec Holdings Ltd.	100	100	Alberta
Stantec Holdings II Ltd.	100	n/a	Alberta
Stantec Newfoundland & Labrador Ltd.	100	n/a	Newfoundland and Labrador
Stantec Technology International Inc.	100	100	Delaware
UEI Associates, Inc.	100	n/a	Texas
UEI Global I, Inc.	100	n/a	Texas
Universal Energy do Brasil Ltda.	100	n/a	Brazil
WilsonMiller, Inc.	100	n/a	Florida
WM Aviation, LLC	100	n/a	Delaware

* In the context of this annual information form, “restricted shares” means nonvoting shares in the capital stock of the Company or a subsidiary of the Company, as the case may be.

1 Acquired as part of the acquisition of Bonestroo, Inc. See the General Development of the Business section below including the Acquisitions section on page 6.

GENERAL DEVELOPMENT OF THE BUSINESS

2012

The following are highlights of the development of our business (or anticipated developments) for the current year

Dividend Declaration

On February 15, 2012, Stantec’s board of directors approved a dividend policy and concurrently declared its first quarterly dividend of $0.15 per share, payable on April 17, 2012, to shareholders of record on March 30, 2012. The declaration of this dividend reflects the confidence of our board of directors and management in our ability to generate ongoing cash flow from operations, continue to grow revenue, and complete strategic acquisitions while providing enhanced shareholder returns.

Three-Year History

The following are highlights of the development of our business over the past three years

2011

Officer and Director Changes

The following changes occurred in 2011

- Douglas K. Ammerman and Delores M. Etter were appointed to Stantec's board of directors on September 1, 2011
- Effective August 26, 2011, Jeffery Kishel stepped down from his role as practice area unit leader, Environment and left Stantec. Richard K. Allen assumed Mr. Kishel's role
- Following the Company's annual general meeting, distinguished board member Paul Cellucci tendered his resignation from the Company board
- During Stantec's annual general meeting on May 12, 2011, chair of the board Ronald Triffo announced the board's selection of his successor: Aram H. Keith, who has been a board member since 2005

Credit Facility

On September 8, 2011, we announced that we had reached an agreement to amend our existing C$350 million revolving credit facility and extend the maturity date to August 31, 2015. We may obtain access to an additional C$75 million under the same terms and conditions upon approval from our lenders. We will use the credit facility as working capital, for general corporate purposes and for future acquisitions.

Debt Private Placement

On May 13, 2011, Stantec completed the issuance of $70 million in aggregate principal amount of 4.332% senior secured notes due May 10, 2016, and $55 million in aggregate principal amount of 4.757% senior secured notes due May 10, 2018. Stantec used the net proceeds from the notes to refinance existing debt. The notes are ranked equally with Stantec's obligations under its existing revolving credit facility.

Acquisitions

We acquired a number of firms in Canada and the United States during 2011. The acquisitions completed in 2011 included the following

Date	Business Acquired	Nature of Business
Oct 2011	ENTRAN, Inc.	Provides a range of transportation infrastructure services, including aviation planning and design, bridge design, roadway design, traffic engineering, transportation planning, and construction engineering services, principally located in Lexington, Kentucky, with additional offices in Chicago, Illinois; Cincinnati, Ohio; Charleston, West Virginia; Louisville, Kentucky; and Nashville, Tennessee
Oct 2011	5107 N.W.T. Limited, operating as FSC Architects & Engineers	FSC provides services and expertise within architecture, mechanical, electrical, civil/municipal, structural, and environmental engineering, principally located in Yellowknife, with other additional offices in Whitehorse, Yukon; Iqaluit, Nunavut; and Edmonton, Alberta
Sept 2011	Bonestroo Inc.	Provides services in municipal engineering, infrastructure planning, streets and utilities design, water supply, water storage, water distribution, brownfields redevelopment, environmental planning, environmental management, environmental compliance, transportation engineering, traffic engineering, bridge design, water resources management, ice design, aquatics design, athletic field design, land use planning, and urban design, principally located in Minnesota, with additional offices in Wisconsin, Illinois, Michigan and North Dakota

May 2011	1488320 Alberta Inc. The Caltech Group	Caltech has two distinct business units—Caltech Senex Oil & Gas and Caltech Utilities. Caltech Senex Oil & Gas provides multidisciplinary engineering, procurement, and construction management services, including studies, front-end engineering and development work, detailed engineering, construction management, commissioning, and start-up, as well as operations support. Caltech Utilities has extensive experience in the design of utility, electrical asset, and telecom facilities, which includes a wide range of client planning, engineering, consulting, and development services. Both are principally located in Calgary, Alberta
Feb 2011	QuadraTec Inc.	Provides services including mechanical, electrical, industrial, and communication engineering; energy management; design; studies; and contract administration, principally located in Newfoundland and Labrador

2010

Officer Changes

The following changes occurred in 2010

- Richard K. Allen assumed the senior vice president and chief operating officer role effective January 1, 2010
- Scott L. Murray assumed the role of regional operating unit leader, US East, on January 1, 2010
- Effective July 2, 2010, Robert Youden stepped down from his role as regional operating unit leader, Canada East, and left Stantec. Paul Allen assumed Mr. Youden's role for the balance of 2010

Credit Facility

In August 2010, we increased the limit of our revolving credit facility from C$300 million to C$350 million and extended its maturity date to August 2013. The agreement also included a provision allowing us to obtain access to an additional C$75 million under the same terms and conditions upon approval from our lenders.

Acquisitions

We acquired a number of firms in Canada and the United States during 2010. The acquisitions completed in 2010 included the following

Date	Business Acquired	Nature of Business
Dec 2010	Burt Hill, Inc.	Provides services in the design of higher education and healthcare facilities from offices, principally located in Pennsylvania, with additional offices in Massachusetts, Arizona, North Carolina, Ohio, Florida, Washington, D.C., the United Arab Emirates, and India
Oct 2010	Street Smarts, Inc./Data Smarts, LLC	Provides design services in transportation and civil engineering from offices, principally located in Georgia
Sep 2010	ECO:LOGIC Engineering	Provides services in the planning, permitting, design, construction management, and operations of water and wastewater facilities from offices, principally located in California
Sep 2010	Anshen & Allen Architects, Inc.	Provides services in the design of healthcare and education facilities from offices, principally located in California, with additional offices in Ohio, Massachusetts, and the United Kingdom
Aug 2010	Communication Arts, Inc.	Provides specialized services in project visioning, branding, and associated conceptual architectural and environmental graphics from offices principally located in Colorado

Date	Business Acquired	Nature of Business
Jul 2010	Natural Resources Consulting, Inc./ NRC Restorations, LLC	Provides services in the areas of wetland, aquatic, and terrestrial ecology; wildlife science; soils science; environmental impact assessment; watershed management; ecosystem restoration design and implementation; and geographic information systems from offices, principally located in Wisconsin
Jul 2010	WilsonMiller, Inc.	Provides services for infrastructure, transportation, land management, and environmental projects from offices, principally located in Florida
Jul 2010	IEA Holdings, Inc.	Provides engineering and project management services for both traditional and renewable energy projects ranging from cogeneration, coal, and electrical transmission work to the design of wind, waste-to-energy, and biomass systems from offices, principally located in Maine, with additional offices in South Carolina
Apr 2010	Tetr*ES* Consultants Inc.	Provides environmental management consulting services, principally located in Manitoba
Mar 2010	Project Control Group Inc.	Provides project implementation strategy, planning, and controls for complex projects, principally located in Ontario

2009

Officer and Director Changes

The following changes occurred in 2009

- Mark E. Jackson retired from his role as senior vice president and chief operating officer on December 31, 2009, and Richard K. Allen assumed the senior vice president and chief operating officer role effective January 1, 2010
- On September 5, 2009, Jeffrey S. Lloyd stepped down from his position as Secretary & General Counsel and Paul J.D. Alpern assumed the role
- On September 4, 2009, Paul Cellucci was appointed to our board of directors
- Effective May 15, 2009, Robert J. Gomes succeeded Anthony P. Franceschini as our president and chief executive officer
- At the annual general meeting on May 14, 2009, David L. Emerson, PC and Robert J. Gomes were elected to our board of directors, and Robert R. Mesel stepped down from the board
- Daniel J. Lefaivre assumed the senior vice president and chief financial officer role effective January 1, 2009

Acquisitions

We completed the following acquisitions in 2009

Date	Business Acquired	Nature of Business
Nov 2009	Granary Associates, Inc./Granary Associates Architects, P.C.	Provides project management, planning, architecture, and interior design services for healthcare facilities, principally located in Philadelphia and New York
Jan 2009	Jacques Whitford Group Ltd./Jacques Whitford Global Group Limited	Provides services in three major areas of practice in environmental sciences, environmental site assessment and remediation, and geotechnical materials and operates primarily in the energy and resources, government, real estate, and finance and insurance sectors, principally located in Canada

For additional information regarding the general development of our business and our strategies for the upcoming year, see pages M-4 to M-13 M-25 to M-29 and M-45 to M-48 of Stantec's 2011 management's discussion and analysis incorporated by reference in this annual information form and filed on www.sedar.com.

DESCRIPTION OF THE BUSINESS

Stantec, founded in 1954, provides professional consulting services in planning, engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, project management, and project economics for infrastructure and facilities projects. Continually striving to balance economic, environmental, and social responsibilities, we are recognized as a world-class leader and innovator in the delivery of sustainable solutions. We support public and private sector clients in a diverse range of markets at every stage, from initial concept and financial feasibility to project completion and beyond.

In simple terms, the world of Stantec is the water we drink, the routes we travel, the buildings we visit, the industries in which we work, and the neighborhoods we call home. Our services are offered through approximately 11,100 employees operating out of more than 170 locations in North America and 4 locations internationally.

For the requirements of International Financial Reporting Standards (IFRS), we have one reportable segment—consulting services.

The following chart illustrates the breakdown of gross revenue for 2011 and 2010 for consulting services:

	2011		2010	
Units	**(C$ millions)**	**%**	**(C$ millions)**	**%**
Consulting Services	$1,683.4	100%	$1,513.1	100%

We use a three-dimensional business model that is built on (1) geographic diversification, (2) practice area units, and (3) provision of services in all phases of a project's life cycle. This model allows us to manage risk while pursuing our objective of continued revenue and earnings growth. For additional information regarding our core business and strategy, see our 2011 management's discussion and analysis pages M-4 to M-8, which are incorporated by reference herein.

Research and Development

We generally conduct research and development in the context of a client's specific project requirements. Most research and development is conducted in the areas of infrastructure evaluation and management systems, hydraulic modeling of water and wastewater systems, pavement evaluation and management systems, and wastewater treatment.

Competitive Conditions

We work in highly competitive markets and have numerous competitors for all the services we offer. The number and identity of competitors vary widely with the type of service we provide. Moreover, for small- to medium-sized projects, we compete with many engineering, architecture, and other professional consulting firms. For larger projects, we have fewer but still many competitors; however, some of these competitors have greater financial and other resources than we do. Although we compete with other large private and public companies in certain geographic locations, our primary competitors are small to mid-sized privately held regional firms in the United States and Canada.

We believe that our operating structure, our operating philosophy, our enterprise systems, and the mix and breadth of our professional services differentiate us from other engineering, architecture, and professional consulting firms.

The principal competitive factors in the services we offer are reputation; experience; breadth and quality of services; technical proficiency; local offices; competitive total project fees; and integrated service delivery. Given the expanding demand for the services we provide, it is likely that additional competitors will emerge. Notwithstanding this increased competition, we believe that we will retain the ability to compete effectively because of our strengths and expertise in engineering, architecture, and related professional services and our track record of service delivery.

We serve many diverse clients in both the private and public sectors. We seek to establish ongoing relationships with clients that are likely to produce repeat business. We are not dependent on any one client or group of clients for our business. No single client or project represents more than five percent of our overall business.

We offer a range of pricing structures to our clients but primarily provide our services based on either a fixed- or variable-fee contract with a ceiling or a time-and-material contract without a stated ceiling. We secure our assignments primarily based on our expertise and contacts and sometimes based on a competitive bidding process.

Employees

As at December 31, 2011, we had approximately 11,100 staff. This total staff number is comprised of approximately 6,400 professionals, 3,500 technologists and technicians, and 1,200 support personnel.

We are a knowledge-based organization and are always seeking talented and skilled professionals in all our specialist practice areas. Since the supply of qualified candidates is sometimes limited, we use various recruitment strategies to address staffing needs. Examples of our recruitment strategies include our employee referral bonus program, website job postings, career fairs, student programs, and opportunities to transfer to other office locations.

Reorganization

Effective at the end of business on December 31, 2009, Stantec Consulting Inc. (SCI), an Arizona corporation, was merged into its affiliate, Stantec Consulting Services Inc. (SCSI), a New York corporation. Historically, SCSI was our main operating entity for our US East operations, and SCI was our main operating entity for our US West operations. The purpose of the merger was to consolidate the majority of our US operations into one legal entity. We still maintain several special purpose entities to meet licensing requirements in various states; however, the consolidation has assisted in streamlining the provision of services for the majority of our US operations.

In the first quarter of 2010, as part of a long-term strategy, we reorganized our corporate structure, to make it more efficient, which increased our estimated income tax expense by C$6.2 million. The reorganization resulted in a gain for tax purposes; however, this gain did not affect income taxes payable, since it was used to offset previously recognized US income tax losses.

Effective at the close of business on December 31, 2011, Stantec Consulting Corporation (SCC), a Delaware corporation was merged into its affiliate, Stantec Consulting Services Inc. (SCSI), a New York Corporation. SCC was the successor entity of the acquisition of and merger with SECOR International Incorporated in 2008. The purpose of the merger of SCC and SCSI was to further consolidate and streamline our US operations.

Social and Environmental Policies

Stantec's Health, Safety & Environment (HSE) Program

Stantec is committed to continuous improvement in the area of health and safety in all aspects of its business. Led by our HSE director and managers for both the United States and Canada, the HSE team includes five regional coordinators, more than 100 office coordinators, two dedicated workers' compensation claims coordinators, and systems and administrative support staff. The program is championed by a senior vice president.

The HSE program's objective is to eliminate recordable injuries, property loss, and environmental damage by giving employees the necessary guidance and knowledge to complete every task safely, every time. To achieve this objective, the HSE team develops practices and tools that protect employees by not only meeting or exceeding government regulations, but also by striving for best practices.

The foundation of the program is a Hazard Recognition and Control (HRAC) process that enables employees at all levels to establish a healthy and safe work environment. Projects begin with the development of a Risk Management Strategy form that identifies potential risks associated with the project site. Based on these risks, additional controls may be implemented. For example

- A job safety analysis (JSA) can be completed for identified risks. A JSA breaks down a task into component steps with identification of associated hazards and precautions
- A site-specific Health and Safety Plan (HASP) may be prepared for each site. All employees, subcontractors, and visitors to applicable sites are required to review and adhere to the health and safety guidelines presented in the HASP

Through these formal strategies, along with regular last-minute risk assessments, the HRAC process empowers employees to proactively identify hazards, assess risks, eliminate or control risks, and stop work if required in order to prevent injury and illness, environmental and property damage, and other types of costly business interruptions.

The HSE team also supports the organization by

- Maintaining approved health, safety, and environment procedures for many specific work tasks in the form of safe work practices
- Ensuring quality health, safety, and environment training and education are available

- Completing root cause analysis and evaluating lessons learned from recordable injuries and other incidents
- Coordinating case management following work-related injuries and illnesses

Due to the diversity of the Stantec organization, the HSE team develops core health, safety, and environment standards that can be implemented Company-wide, yet are adaptable to suit the needs of any particular region, client, or project.

Our Company HSE program is outlined in our corporate Health and Safety policy, HSE Program Manual, and Safe Work Practices Guide.

The program is communicated to employees through a comprehensive communications strategy that includes regular features in our Company magazine, ongoing use of the Company's intranet, eBulletins from senior leadership, office signage, presentations, and workshops. In addition to tracking lagging indicators (workers' compensation costs and total recordable injury rates), we also track leading indicators such as site visits, file reviews, safety meetings, and worksite inspections to further gauge the effectiveness of the program. The HSE team is able to conduct internal and external audits to assist in not only assuring compliance, but also identifying program strengths and opportunities for improving health and safety performance.

Independent (third party) audits of the HSE program may be conducted as necessary to obtain and maintain external certification (e.g., a Certificate of Recognition). These audits are conducted on a regular basis (often every three years) by an independent auditor. The results of the audits will be documented and brought to the attention of the Joint Health and Safety Committee, regional safety and leadership, and the environment coordinator. The committee will monitor corrective action, address deficiencies found by the audit, and facilitate preventive action if opportunities are identified. Responsibility for corrective and preventive action will be assigned and recorded in a Health and Safety Action Plan.

ISO 14001:2004 Registration

In support of Stantec's sustainability policy promoting compliance with applicable environmental regulation, and reducing our environmental footprint, we have developed and implemented a formal environmental management system. The environmental management system was recently audited and registered to the ISO 14001:2004 environmental management standard, an internationally recognized standard. Our ISO 14001:2004 registered environmental management system requires leadership to establish environmental performance objectives such as the reduction of energy, resource use, and waste and to formally report on those objectives within an accountable and transparent framework. Stantec received confirmation of registration on January 20, 2012.

Stantec's Sustainability Policy

Stantec is committed to being a leader and model of sustainability by doing business in a way that meets the needs of the present while contributing to an environmentally, socially, and economically sustainable future. This commitment is at the heart of how Stantec operates and delivers solutions to its clients and is vital to its long-term success in achieving its vision.

Stantec will focus its efforts in the areas where it believes that it can have a significant impact, as follows

Building a leading sustainability consulting practice in the markets it serves by

- Using its expertise, experience, and influence to advance the sustainability of its valued clients
- Incorporating sustainability into all its service offerings
- Marketing and selling sustainable development services across all sectors

Integrating sustainability into its overall operations and everyday practice by

- Implementing best industry, employee, and vendor practices to reduce resource use, waste, and emissions while increasing efficiency and effectiveness
- Fostering an understanding of sustainability at all levels of the organization in ways that are both personally and professionally relevant
- Embracing an accountable and transparent governance and leadership structure that integrates sustainability considerations into all its business decisions
- Reporting on its sustainability performance and achievements

Stantec strives to achieve the following

Environmental Progress—Lower its impact on the environment by progressing toward least-impact approaches to resource and energy use, waste, and emissions of carbon and toxins

Social Progress—Engage with stakeholders and support the communities in which it operates

Economic Viability—Demonstrate that its sustainability efforts lead to long-term business vibrancy and viability in concert with its vision, strategic plan, and business objectives

Projects that meet our criteria for being classified as sustainability projects are owned by our Sustainable Development practice. Following this approach is the best way to recognize the multidisciplinary, multisector, and multileadership character of these services and to aggregate project information and revenue data to monitor our success. Building our sustainability services portfolio will in turn make us more competitive to win sustainability work in the future.

International Operations

In 2011 Stantec remained active internationally with gross revenue from international operations of approximately C$58.8 million.

Stantec performs international operations by one of two means. Our first delivery model is to perform work “in country” via our permanent offices located in the United Kingdom, United Arab Emirates, India, Panama, Qatar, and Barbados. Our second delivery model is to manage and support that work from one of our offices located in the United States or Canada.

All project pursuits are subject to a review process whereby the project is reviewed for compliance with Stantec’s legal, financial, and technical processes. In addition each in-country project pursuit is examined to ensure that health and safety and political risk are acceptable. All major projects being pursued are subjected to major project reviews, where applicable and all projects have an executive leadership sponsor.

Dividend Policy

On February 15, 2012, Stantec’s board of directors declared its first quarterly dividend of $0.15 per share, payable on April 17, 2012, to shareholders of record on March 30, 2012. The dividend policy adopted at that time by the board of directors states that Stantec expects to declare and pay a dividend on a quarterly basis. The dividend policy may be changed from time to time in the sole discretion of the board of directors. Accordingly, there can be no assurances as to the amount or timing of any dividend in the future. In assessing whether to pay a dividend and in determining the amount of the dividend, the board of directors will consider Stantec’s financial performance and its then current business needs. The adoption of a dividend policy and declaration of a dividend reflects the confidence of our board of directors and management in our ability to generate ongoing cash flow from operations, continue to grow revenue, and complete strategic acquisitions while providing enhanced shareholder returns.

RISK FACTORS

For a review of the risks pertaining to our Company, refer to our 2011 management’s discussion and analysis, pages M-61 to M-72, which is filed on SEDAR at www.sedar.com and incorporated by reference herein.

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized share capital consists of an unlimited number of preferred shares, issuable in series, and an unlimited number of common shares, of which, at December 31, 2011, no preferred shares and 45,523,585 common shares were issued and are outstanding.

Preferred Shares

The preferred shares may be issued in one or more series, with each series to consist of such number of shares and to have such rights, privileges, restrictions, and conditions as may, before the issue thereof, be determined by our board of directors. The holders of the preferred shares as a class are not entitled to receive notice of or to attend any meeting of our shareholders and are not entitled to vote at any such meeting, except to approve amendments to the terms of the preferred shares as a class or as required by law. Each series of preferred shares will rank *pari passu* with each other series of preferred shares with respect to the entitlement to dividends or distribution of assets in the event of the liquidation, dissolution, or winding up of Stantec. The preferred shares as a class rank ahead of the common shares with respect to entitlement to dividends and distribution of assets in the event of the liquidation, dissolution, or winding up of Stantec.

Common Shares

The holders of common shares are entitled to receive, as and when declared by our board of directors, dividends in such amount and in such form as our board of directors may from time to time determine. The holders of the common shares are entitled to receive notice of and to attend all meetings of our shareholders and have one vote for each common share held at all such meetings, except for meetings at which only holders of another specified class or series of our shares are entitled to vote separately as a class or series. The common shares rank behind the preferred shares with respect to entitlement to dividends and distribution of assets in the event of the liquidation, dissolution, or winding up of Stantec.

MARKET FOR SECURITIES

Trading Price and Volume

Our common shares are listed for trading on the Toronto Stock Exchange (TSX) and New York Stock Exchange (NYSE) under the symbol STN. The intraday trading information on the TSX for the period from January 1, 2011, to December 31, 2011, is set out in the following table:

Month	High	Low	Volume
January	$29.61	$27.31	4,688,407
February	$30.00	$27.41	3,310,524
March	$29.48	$26.86	6,228,606
April	$30.33	$28.85	2,892,310
May	$30.17	$28.44	1,756,484
June	$29.75	$26.85	2,390,256
July	$28.88	$26.92	2,038,022
August	$27.21	$22.00	4,797,270
September	$24.51	$21.50	3,101,652
October	$25.78	$22.26	3,347,800
November	$26.67	$22.88	2,853,556
December	$27.96	$25.81	2,261,465
			39,666,352

The intraday trading information on the NYSE for the period from January 1, 2011, to December 31, 2011, is set out in the following table:

Month	High	Low	Volume
January	$29.85	$27.55	350,371
February	$30.41	$27.91	320,641
March	$30.36	$27.20	277,596
April	$31.89	$29.84	254,269
May	$31.58	$29.04	175,232
June	$30.63	$27.34	394,056
July	$28.32	$28.32	179,961
August	$28.84	$22.12	336,693
September	$25.08	$20.96	285,741
October	$25.94	$21.09	182,682
November	$26.14	$22.56	172,701
December	$27.44	$25.08	144,819
			3,074,762

Prior Sales

On May 13, 2011, we issued $70 million of 4.332% senior secured notes due May 10, 2016, and $55 million of 4.757% senior secured notes due May 10, 2018. These amounts were recorded net of transaction costs of $1.1 million. The senior secured notes were issued pursuant to an indenture dated May 13, 2011, between Stantec Inc., as issuer, and BNY Trust Company of Canada, as trustee. The senior secured notes are ranked equally with our existing revolving credit facility. Interest on the senior secured notes is payable semi-annually in arrears on May 10 and November 10 each year commencing on November 10, 2011, until maturity or the earlier payment, redemption, or purchase in full of the senior secured notes.

DIRECTORS AND OFFICERS

The following table lists the directors of Stantec Inc., current to February 23, 2012, their municipality of residence, and their principal occupation within the five preceding years:

Directors of Stantec

Name and Municipality of Residence	Principal Occupation	Director Since
DOUGLAS K. AMMERMAN[2] Laguna Beach, California, United States	Corporate Director	2011
ROBERT J. BRADSHAW[2] Toronto, Ontario, Canada	Corporate Director	1993
DAVID L. EMERSON[2] Vancouver, British Columbia, Canada	Corporate Director and Public Policy Advisor	2009
DELORES M. ETTER[1] Dallas, Texas, United States	Professor of Electrical/Computer Engineering	2011
ANTHONY P. FRANCESCHINI Edmonton, Alberta, Canada	Corporate Director	1994
ROBERT J. GOMES Edmonton, Alberta, Canada	President & CEO of Stantec	2009
SUSAN E. HARTMAN[1] Evergreen, Colorado, United States	President and CEO of The Hartman Group (a management consulting firm)	2004
ARAM H. KEITH Irvine, California, United States	Corporate Director	2005
IVOR M. RUSTE[1,2] Calgary, Alberta, Canada	Executive Vice President and Chief Financial Officer, Cenovus Energy Inc. (a Canadian oil company)	2007

1 Member of the Corporate Governance and Compensation Committee
2 Member of the Audit and Risk Committee

All directors are elected annually. Douglas K. Ammerman, Susan E. Hartman and Aram Keith have been engaged for more than five years in their current principal occupation. Ivor M. Ruste is currently executive vice president and chief financial officer of Cenovus Energy Inc. During the period from May 2006 to November 2009, he worked with Encana Corporation as executive vice president, corporate responsibility & chief risk officer. From 1998 to May 2006, he was the managing partner of the Edmonton office of KPMG LLP (an international audit, tax, and advisory services firm). Prior to his retirement in 2009, Robert J. Bradshaw was the chairman of Contor Industries (a holding company that acquires manufacturing companies). David L. Emerson was a member of Parliament for Vancouver Kingsway from July 2004 to 2008. From November 2008 to November 2009, Mr. Emerson was a senior advisor with the law firm of Farris, Vaughan LLP. Anthony Franceschini was Stantec's president and chief executive officer until May 14, 2009. Prior to May 15, 2009, Robert J. Gomes was senior vice president of certain Stantec Inc. subsidiaries. Since November of 2007, Delores Etter's principal occupation has been Professor of Electrical/Computer Engineering.

From November of 2005 to November of 2007, Ms. Etter's occupation was Assistant Secretary of the Navy for Research, Development and Acquisitions.

The following table lists the executive officers of Stantec, current to February 23, 2012, their municipality of residence, and their principal occupation within the five preceding years:

Nonexecutive and Executive Officers of Stantec

Name and Municipality of Residence	Principal Occupation	Officer Positions Held
Nonexecutive Officers of Stantec Inc.		
ARAM H. KEITH Irvine, California, United States	Chair of the Board	Chair of the Board of Stantec Inc.
Executive Officers of Stantec Inc.		
ROBERT J. GOMES Edmonton, Alberta, Canada	President & CEO	President & CEO of Stantec Inc.
DANIEL J. LEFAIVRE St. Albert, Alberta, Canada	Senior Vice President & CFO	Senior Vice President & CFO of Stantec Inc.
RICHARD K. ALLEN Canton, Massachusetts, United States	Senior Vice President & COO	Senior Vice President & COO of Stantec Inc.; Interim Practice Area Unit Leader, Environment
PAUL J.D. ALPERN Edmonton, Alberta, Canada	Vice President, Secretary & General Counsel	Vice President, Secretary & General Counsel of Stantec Inc. and Vice President and Corporate Counsel of certain Stantec Inc. subsidiaries
Other Executive Officers		
W. PAUL ALLEN Elmira, Ontario, Canada	Practice Area Unit Leader, Urban Land, and Regional Operating Unit Leader, Canada East	Senior Vice President of certain Stantec Inc. subsidiaries
DONALD R. BELLIVEAU Fredericton, New Brunswick, Canada	Practice Area Unit Leader, Industrial	Senior Vice President of certain Stantec Inc. subsidiaries
CARL F. CLAYTON Edmonton, Alberta, Canada	Practice Area Unit Leader, Transportation, Regional Operating Unit Leader, International	Senior Vice President of certain Stantec Inc. subsidiaries
VALENTINO DIMANNO Calgary, Alberta, Canada	Regional Operating Unit Leader, Canada West	Senior Vice President of certain Stantec Inc. subsidiaries
SCOTT L. MURRAY Lexington, Kentucky, United States	Regional Operating Unit Leader, US East	Senior Vice President of certain Stantec Inc. subsidiaries
ERIC C. NIELSEN Santa Ana, California, United States	Regional Operating Unit Leader, US West, Practice Area Unit Leader for Urban Land	Senior Vice President of certain Stantec Inc. subsidiaries

Name and Municipality of Residence	Principal Occupation	Officer Positions Held
STANIS I.R. SMITH Burnaby, British Columbia, Canada	Practice Area Unit Leader, Buildings	Senior Vice President of certain Stantec Inc. subsidiaries

All the above executive officers have held their present position or other positions with Stantec for the past five years, except for Daniel J. Lefaivre, who, prior to January 1, 2009, was Stantec's vice president, Finance & Treasury; Richard K. Allen, who, prior to April 17, 2006, was president and chief executive officer of Dufresne-Henry, Inc. and who following August 26, 2011, became Interim Practice Area Unit Leader, Environment; Paul Allen, who, prior to July 1, 2010, was Stantec's corporate practice area unit leader, Urban Land, and following July 1, 2010, also became Stantec's regional operating unit leader, Canada East; and Scott Murray, who, prior to January 1, 2008, was an owner and vice president of Fuller, Mossbarger, Scott & May Engineers, Inc., and during the period of January 1, 2008, through December 31, 2009, was Stantec's regional leader for the US South. As a group, our directors and officers beneficially owned, controlled, or directed, directly or indirectly, 753,133 common shares representing 1.65 percent of our issued and outstanding common shares.

AUDIT AND RISK COMMITTEE INFORMATION

Audit and Risk Committee Terms of Reference

The responsibilities and duties of our Audit and Risk Committee are set out in the committee's Terms of Reference, the text of which is attached as Appendix I to this annual information form.

Composition of the Audit and Risk Committee

Our Audit and Risk Committee is made up of the following four members: Ivor Ruste (chair), Douglas Ammerman, Robert Bradshaw, and David Emerson.

The board of directors believes that the composition of the Audit and Risk Committee reflects an appropriate level of financial literacy and expertise. Each member of the Audit and Risk Committee has been determined by the board to be "independent" and "financially literate" as such terms are defined under applicable Canadian and US securities laws. In addition, Mr. Ruste, Mr. Ammerman and Mr. Emerson are identified as "Audit Committee Financial Experts" as such term is defined in the rules and regulations of the U.S. Securities and Exchange Commission (SEC). The following is a description of the education and experience of each member of the committee that are relevant to the performance of his or her committee responsibilities.

Ivor M. Ruste is currently executive vice president and chief financial officer for Cenovus Energy Inc. headquartered in Calgary. He has a bachelor of commerce degree (with distinction) from the University of Alberta and is a Fellow Chartered Accountant. During the period from May 2006 to November 2009, he worked for EnCana Corporation and, prior to joining Cenovus, was executive vice president, corporate responsibility & chief risk officer at EnCana. From 1998 to 2006, he was the managing partner of the Edmonton office of KPMG LLP (an international audit, tax, and advisory services firm) and the Alberta regional managing partner and vice chair of the KPMG Canada Board of Directors. As a chartered accountant with 26 years of experience working as an auditor of both public and private companies, Mr. Ruste has reviewed and audited many complex financial statements and prepared interim and annual financial statements in accordance with both Canadian and US generally accepted accounting standards. Over the past 30 years, Mr. Ruste has been involved in numerous other business, community, and professional activities. As of December 31, 2011, he owned 2,500 common shares valued at $68,925 and 16,000 deferred share units valued at $434,240.

Douglas K. Ammerman is a retired partner with KPMG. Mr. Ammerman was with KPMG for almost 30 years, and during that time he served as the national practice partner, the managing partner of the Orange County office, and as a member of KPMG's nominating committee for its board of directors. He holds a master's degree in business taxation degree from the University of Southern California, as well as a bachelor of arts degree with an accounting emphasis from California State University at Fullerton. Mr. Ammerman is past president of the Pacific Club and director emeritus and served in the Reagan administration as Special Assistant to the Secretary of Interior. He currently serves on the board of directors of Fidelity National Financial, Quiksilver, William Lyon Homes, and El Pollo Loco, and serves on the advisory board of governors for the Balboa Bay Club. As of December 31, 2011, he owned 1,900 common shares valued at $52,383 and 1,600 deferred share units valued at $43,424.

Robert J. Bradshaw is a professional engineer with a diverse background in the manufacturing, oil, consulting engineering, and nuclear industries, as well as in power generation and government service. Mr. Bradshaw is currently retired and is a corporate director for one additional company

and one charity. In addition to Mr. Bradshaw's experiences in diverse industries as an engineer, he also has 25 years of experience in acquiring companies for turnaround purposes. In that context, Mr. Bradshaw reviewed and analyzed the financial statements of those companies, as well as their financial procedures. Mr. Bradshaw has also taken university accounting courses to further supplement his knowledge. As of December 31, 2011, he owned 110,000 common shares valued at $3,032,700 and 27,200 deferred share units valued at $738,208.

David L. Emerson, PC, OBC is a corporate director, public policy advisor, and senior advisor to CAI Managers, a private equity fund. Nationally, he has held senior positions with the Government of Canada, including the positions of Minister of Foreign Affairs, Minister of International Trade with responsibility for the Asia Pacific Gateway Initiative and the 2010 Vancouver Olympics, and Minister of Industry. In British Columbia, Mr. Emerson was the Province's Deputy Minister of Finance, Secretary to Treasury Board, Deputy Minister to the Premier and Secretary to Cabinet. His leadership roles in the private sector included: president and CEO of Canfor Corporation, president and CEO of the Vancouver International Airport Authority, and chairman and CEO of Canadian Western Bank. Mr. Emerson is currently board chair of TimberWest Forest Corporation and serves on the board of directors of Finning International Inc. and Postmedia Network Inc. In addition, Mr. Emerson is co-chair, Prime Minister's Advisory Committee on the Public Service, and a member of China Investment Corporation International Advisory Council. Mr. Emerson is a recipient of the Order of British Columbia and the Peter Lougheed Award of Excellence in Public Policy. Mr. Emerson holds bachelor's and master's degrees in economics from the University of Alberta and a doctorate in Economics from Queen's University. His education and experience have provided him with a breadth of knowledge regarding complex accounting issues. As of December 31, 2011, he owned 5,000 common shares valued at $137,850 and 8,800 deferred share units valued at $238,832.

Preapproval Policy

The Audit and Risk Committee must preapprove the audit and nonaudit services performed by the independent auditor in order to ensure that the provision of such services does not impair the auditor's independence. Unless a type of service to be provided by the independent auditor has received general preapproval, it will require specific preapproval by the Audit and Risk Committee. Any proposed services exceeding preapproved cost levels will require specific preapproval by the Audit and Risk Committee.

External Auditor Service Fees

Aggregate fees paid to Ernst & Young LLP, our external auditor, during the fiscal years ended December 31, 2011, and 2010, were as follows:

Category	Note	2011	2010
Audit Fees	1	C$1,104,000	C$1,075,000
Audit-Related Fees	2	169,000	574,000
Tax Fees	3	807,000	628,000
Total		C$2,080,000	C$2,277,000

[1] Audit Fees—Audit services provided by Ernst & Young LLP for the audit and review of Stantec's financial statements or services normally provided by Ernst & Young LLP in connection with statutory and regulatory filings or engagements
[2] Audit-Related Fees—Assurance and related services provided by Ernst & Young LLP that are reasonably related to the performance of the audit or review of the financial statements and are not reported under "Audit Fees"
[3] Tax Fees—Professional services rendered by Ernst & Young LLP for tax compliance, tax advice, and tax planning, including tax advice relating to potential business acquisitions

LEGAL PROCEEDINGS

We have legal claims and suits pending, both by and against us. These are typical to the industries in which we operate. Where appropriate, these claims have been reported to our insurers and the insurers of our predecessors', who are in the process of adjusting and/or defending them. None are expected to have a material effect on our financial position.

TRANSFER AGENT

Computershare Trust Company of Canada is our transfer agent at its offices in Calgary, Alberta; Toronto, Ontario; and Canton, Massachusetts.

MATERIAL CONTRACTS

We did not enter into any material contracts outside the ordinary course of business in 2011. We consider the acquisition of professional services firms to be in the ordinary course of our business.

INTERESTS OF EXPERTS

Ernst & Young LLP, Chartered Accountants, located at 10020 – 100 th Street, Suite 2200, Edmonton, Alberta, are the Company's auditors.

The Company's auditors, Ernst & Young LLP, are independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta and have complied with the SEC's rules on auditor independence.

ADDITIONAL INFORMATION

Financial information is provided in our consolidated financial statements and management's discussion and analysis for our most recently completed financial year. Additional information, including directors' and officers' remuneration and indebtedness, the principal holders of our securities, and securities authorized for issuance under equity compensation plans, will be contained in our management information circular. Copies of this annual information form, as well as our latest management information circular and financial review (which includes our consolidated financial statements and management's discussion and analysis for the year ended December 31, 2011), may be obtained from our website at www.stantec.com or by mail on request from the secretary at 10160 – 112 Street, Edmonton, Alberta, T5K 2L6. Disclosure documents and any reports, statements, or other information that we file with Canadian provincial securities commissions or other similar regulatory authorities, are also available through SEDAR at www.sedar.com.

NYSE CORPORATE GOVERNANCE DISCLOSURE

As a foreign private issuer listed on the NYSE, we are generally entitled to follow the Canadian requirements, including the rules of National Instrument 58-101 and National Policy 58-201, with respect to corporate governance practices. We are required, pursuant to Section 303A.11 of the NYSE's Listed Company Manual, to identify any significant ways in which our corporate governance practices differ from those followed by US domestic companies under NYSE listing standards. These differences can be found on our website at www.stantec.com.

APPENDIX I

Stantec Inc.
Audit and Risk Committee-Terms of Reference (Mandate)

A. Overview and Purpose

The Audit and Risk Committee is appointed by, and responsible to, the Board of Directors. The committee approves, monitors, evaluates, advises, and makes recommendations, in accordance with these terms of reference, on matters affecting the external and internal audits, risk management matters, the integrity of financial reporting, and the accounting control policies and practices of the corporation. The involvement of the committee in overseeing the financial reporting process, including assessing the reasonableness of management's accounting judgments and estimates and reviewing key filings with regulatory agencies is an important element of the Company's internal control over financial reporting. The committee has oversight responsibility for the performance of both the internal auditors and the external auditors. The committee also ensures the qualifications and independence of the external auditors. The committee has oversight of the corporation's compliance with legal and regulatory requirements.

It is not the duty of the committee to plan or conduct audits or to determine that the corporation's financial statements are complete, accurate, and in accordance with International Financial Reporting Standards.

B. Authority and Responsibilities

The Audit and Risk Committee shall:

a. Request such information and explanations in regard to the accounts of the corporation as the committee may consider necessary and appropriate to carry out its duties and responsibilities.

b. Consider any other matters which, in the opinion of the committee or at the request of the board, would assist the directors to meet their responsibilities.

c. Provide reports and minutes of meetings to the board.

d. Engage independent counsel and other advisors as may be deemed or considered necessary and determine the fees of such counsel and advisors. Receive confirmation from management that the corporation has provided for adequate funding for the payment of compensation to the independent counsel and other advisors.

C. Membership

The members of the committee shall be composed of a minimum of three independent directors, appointed by the board, all of whom must be financially literate as defined under the rules of the SEC and the New York Stock Exchange (NYSE) and applicable Canadian securities laws. At least one member shall have accounting or related financial management expertise and be an audit committee financial expert as defined in SEC regulations. For greater clarity, the board has adopted the definition of independent director as set out in Multilateral Instrument 52-110 of the Canadian Securities Administrators. The chair of the board of directors shall be an ex-officio member of the Audit and Risk Committee, in addition to the minimum number of required independent directors.

The chair of the committee shall be designated by the board.

Attendance by invitation at all or a portion of committee meetings is determined by the committee chair or its members and would normally include the chief financial officer of the corporation, representatives of the external auditor, the internal auditor, and such other officers or support staff as may be deemed appropriate.

D. FinancialStatements and Disclosures

1. Review, and recommend to the board for approval, the annual audited financial statements and management discussion and analysis.

2. Review, and recommend to the board for approval, the following public disclosure documents:

   (a) The annual management information circular and proxy materials

(b) The annual information form, including any regulatory requirements for audit and risk committee reporting obligations

(c) The year-end news release on the earnings of the corporation

(d) Other regulatory filings of a financial nature

3. Review and, if appropriate, approve and authorize the release of the quarterly unaudited financial statements including management's discussion and analysis, the quarterly interim report to shareholders, and the quarterly press release on the earnings of the corporation. However, in the event that there is a significant or extraordinary matter that, in the opinion of the committee, should be reviewed by the board before the release of such information, the matter shall be referred to the board for review.

4. Receive quarterly report from the disclosure committee on the adequacy of disclosure with respect to material events in the corporation's financial statements, management's discussion and analysis, and earnings press releases.

5. Receive annually an evaluation from the internal auditor of the procedures that exist for the review of financial information (extracted or derived from financial statements) that is publicly disclosed by the corporation.

6. Review, and recommend to the board for approval, all annual financial statements, reports of a financial nature (other than quarterly unaudited financial statements), and the financial content of prospectuses or any other reports that require approval by the board prior to submission thereof to any regulatory authority.

7. Review the Audit and Risk Committee information required as part of the annual information form.

8. Review with management on an annual basis, the corporation's obligations pursuant to guarantees (including those granted under the Surety Credit Facility) that have been issued and material obligations that have been entered into and the manner in which these guarantees and obligations have been, or should be, disclosed in the financial statements.

9. Review and assess, in conjunction with management and the external auditor, at least annually or on a quarterly basis where appropriate or required:

(a) The appropriateness of accounting policies and financial reporting practices used by the corporation, including alternative treatments that are available for consideration

(b) Any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the corporation

(c) Any new or pending developments in accounting and reporting standards that may affect or impact on the corporation

(d) Any off-balance sheet structures

(e) The key estimates and judgments of management that may be material to the financial reporting of the corporation

10. At least annually, request the external auditor to provide their views on the quality (not just the acceptability) of the corporation's annual and interim financial reporting. Such quality assessment should encompass judgments about the appropriateness, aggressiveness, or conservatism of estimates and elective accounting principles or methods and judgments about the clarity of disclosures.

11. Review any litigation, claim, or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the corporation and the manner in which these matters have been disclosed in the financial statements.

12. Review with management on a quarterly basis, the indicators of impairment to the corporation's goodwill.

E. External Auditor

13. Assess the performance and consider the annual appointment of an external auditor for recommendation to the board for ultimate recommendation for appointment by the shareholders.

14. Review, approve, and execute the annual engagement letter with the external auditor and ensure that there is a clear understanding between the board, the committee, the external auditor, and management that the external auditor reports directly to the shareholders and the board through the committee. The terms of the engagement letter or the annual audit plan should include, but not be limited to, the following:

    (a) Staffing

    (b) Objectives and scope of the external audit work

    (c) Materiality limits

    (d) Audit reports required

    (e) Areas of audit risk

    (f) Timetable

    (g) The proposed fees

15. Obtain and review a report from the external auditor at least annually regarding the auditor's independence and the profession's or audit firm's requirements regarding audit partner rotation.

16. Approve, before the fact, the engagement of the external auditor for all nonaudit services and the fees for such services and consider the impact on the independence of the external audit work of fees for such nonaudit services.

17. Review all fees paid to the external auditor for audit services and, if appropriate, recommend their approval to the board. Receive confirmation from management that the corporation has provided for adequate funding for the payment of compensation to the external auditor.

18. Receive an annual certification from the external auditor that they participate in the public oversight program established by the Canadian Public Accountability Board (CPAB) and the standards of the United States Public Company Accounting Board (PCAOB) and that they are in good standing with the CPAB and the PCAOB.

19. Review a report from the external auditors describing (a) the firm's internal quality control procedures and (b) any material issues raised by the most recent internal quality control review or peer review of the firm or by any inquiry or investigation by governmental or professional authorities within the preceding five years regarding the audits carried out by the external auditor together with any steps taken to deal with any such issues.

20. Receive and resolve any disagreements between management and the external auditor regarding all aspects of the corporation's financial reporting.

21. Review with the external auditor the results of the annual audit examination including, but not limited to, the following:

    (a) Any difficulties encountered, or restrictions imposed by management, during the annual audit

    (b) Any significant accounting or financial reporting issues

    (c) The auditor's evaluation of the corporation's internal controls over financial reporting and management's evaluation thereon, including internal control deficiencies identified by the auditor that have not been previously reported to the committee

    (d) The auditor's evaluation of the selection and application of accounting principles and estimates and the presentation of disclosures

    (e) The postaudit or management letter or other material written communications containing any findings or recommendations of the external auditor including management's response thereto and the subsequent follow-up to any identified internal accounting control weaknesses

(f) Any other matters which the external auditor should bring to the attention of the committee

22. Meet with the external auditor at every meeting of the committee or as requested by the auditor, without management representatives present, and meet with management, at least annually or as requested by management, without the external auditor present.

23. When there is to be a change in the external auditor, review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 and the planned steps for an orderly transition.

24. Review and approve the corporation's hiring policies regarding employees and former employees of the present and former external auditors of the corporation.

25. Receive comments from the external auditor on their assessment of the effectiveness of the committee's oversight of internal control over financial reporting.

F. Internal Audit

26. Review the appointment or termination of the internal auditor.

27. Review and approve the internal audit charter periodically (at least every three years).

28. Review and approve the annual audit plan of the internal auditor (where applicable) and ensure that there is a clear understanding between the board, the committee, the internal auditor, and management that the internal auditor reports directly to the board through the committee. Receive confirmation from management that the corporation has provided for adequate funding for the internal auditor. The terms of the audit plan should include, but not be limited to, the following:
    (a) Staffing
    (b) Objectives and scope of the internal audit work
    (c) Materiality limits
    (d) Audit reports required
    (e) Areas of audit risk
    (f) Timetable
    (g) The proposed budget

29. Review with the internal auditor the results of their audit examination, including, but not be limited to, the following:
    (a) Any difficulties encountered, or restrictions imposed by management, during the audit
    (b) Any significant accounting or financial reporting issues
    (c) The auditor's evaluation of the corporation's system of internal accounting controls, procedures, and documentation
    (d) The internal audit reports or other material written communications containing any findings or recommendations of the internal auditor, including management's response thereto and the subsequent follow-up to any identified internal accounting control weaknesses
    (e) Any other matters which the internal auditor should bring to the attention of the committee

30. Meet with the internal auditor at every meeting of the committee or as requested by the internal auditor, without management representatives present.

G. Internal Controls

31. Obtain reasonable assurance, through discussions with and reports from management, the external auditor, and the internal auditors, that the accounting systems are reliable, the system for preparation of financial data reported to the market is adequate and effective, and the system of internal controls is effectively designed and implemented.

32. Review management's annual report on the effectiveness of internal controls and procedures, as well as quarterly and annual chief executive officer and chief financial officer certificates filed pursuant to securities regulations.

33. Receive reports from management and/or the internal auditor on all significant deficiencies and material weaknesses identified.

34. Review annually, or as required, the appropriateness of the system of internal controls and approval policies and practices concerning the expenses of the officers of the Corporation, including the use of its assets.

35. Review and approve, on a quarterly after-the-fact basis, the expense accounts of the board chair and of the chief executive officer of the corporation.

H. Risk

General

36. Review at least annually with Management:

    (a) the Corporation's method of identifying, evaluating, mitigating and reporting on the principal risks inherent in the Corporation's businesses and strategic directions;

    (b) the systems, policies and practices applicable to the Corporation's assessment, management, prevention and mitigation of risks (including strategic, operating, compliance, reputation as well as financial risks including but not limited to the foreign currency, liquidity and interest rate risk, the use of derivative instruments, counterparty credit exposure, litigation and adequacy of tax provisions); and

    (c) the Corporation's risk appetite, risk tolerance and risk retention philosophy, including the Corporation's loss prevention policies and insurance programs and corporate liability protection programs for Directors and officers, as well as disaster response and business continuity plans.

37. Receive quarterly reports from and review with Management, the status of the Corporation's principal and emerging risks, and the related mitigation programs.

38. Review with Management the disclosures of the Corporation's risks and risk factors in the Corporation's annual information form, the MD&A and other regulatory filings.

39. Report to the Board quarterly on its activities in connection with the risk oversight role referenced herein so that the Board as a whole can fulfill its responsibilities for risk oversight.

40. Receive a risk assessment report from management following due diligence on acquisitions within North America with an enterprise value of $40 million (Canadian or US dollars) or greater and all acquisitions outside North America, make such further inquiries as considered necessary, and report thereon to the board. The content of the risk assessment report will be initially developed by the committee in conjunction with management and will be reviewed annually by the committee.

41. Review and assess, in conjunction with management and the external auditor, at least annually or on a quarterly basis where appropriate or required, the impact of the corporation's capital structure on current and future profitability.

42. Review and recommend to the board of directors proposals requesting a grant of a guarantee issued by Stantec for an amount in excess of $5 million, prior to issuance.

43. Review and recommend to the board of directors proposals requesting a grant of a surety bond issued by Stantec or its subsidiaries for: (a) an amount in excess of $5 million individually or (b) where by virtue of the grant of such surety bond would put the aggregate value of all surety bonds issued and outstanding in excess of $50 million, prior to issuance.

I. Compliance/Fraud

44. Receive quarterly reports on the corporation's fraud risk assessment activities.

45. In accordance with the corporation's integrity practices, review and determine the disposition of any complaints or correspondence received under the policy.

46. Consider annually whether the Corporation should make use of an external integrity hotline.

47. Discuss with management the corporation's policies and procedures designed to ensure an effective compliance and ethics program, including the corporation's code of ethics.

48. Discuss with management and the corporation's in-house legal counsel any legal matters that may have a material impact on the financial statements or the corporation's compliance requirements.

49. Review quarterly, the compliance certificate of the chief financial officer.

J. Other

50. Review, as required, any claims of indemnification pursuant to the bylaws of the corporation.

51. Receive a quarterly report from the chief financial officer regarding private aircraft use, including itinerary and passenger manifest.

52. Review and determine the disposition of any complaints received from shareholders or any regulatory body.

53. Conduct an annual assessment of the effectiveness of the committee and provide a report thereon to the board.

54. Review annually the terms of reference for the committee and recommend any required changes to the board.

K. Meetings

55. Regular meetings of the committee are held at least four times each year.

56. Meetings may be called by the committee chair or by a majority of the committee members, usually in consultation with management of the corporation.

57. Meetings are chaired by the committee chair or, in the chair's absence, by a member chosen from among the committee.

58. A quorum for the transaction of business at any meeting of the committee is a majority of the appointed members.

59. The secretary of the corporation shall provide for the delivery of notices, agendas, and supporting materials to the committee members at least five (5) days prior to the meeting except in unusual circumstances.

60. Meetings may be conducted with members present or by telephone or other communications facilities that permit all persons participating in the meeting to hear or communicate with each other.

61. A written resolution signed by all committee members entitled to vote on that resolution at a meeting of the committee is as valid as one passed at a committee meeting.

62. The secretary of the corporation, or his designate, shall be the secretary for the committee and shall keep a record of minutes of all meetings of the committee.

63. Minutes of the meetings of the committee shall be distributed by the secretary of the corporation to all members of the committee within seven (7) working days of each meeting and shall be submitted for approval at the next regular meeting of the committee.



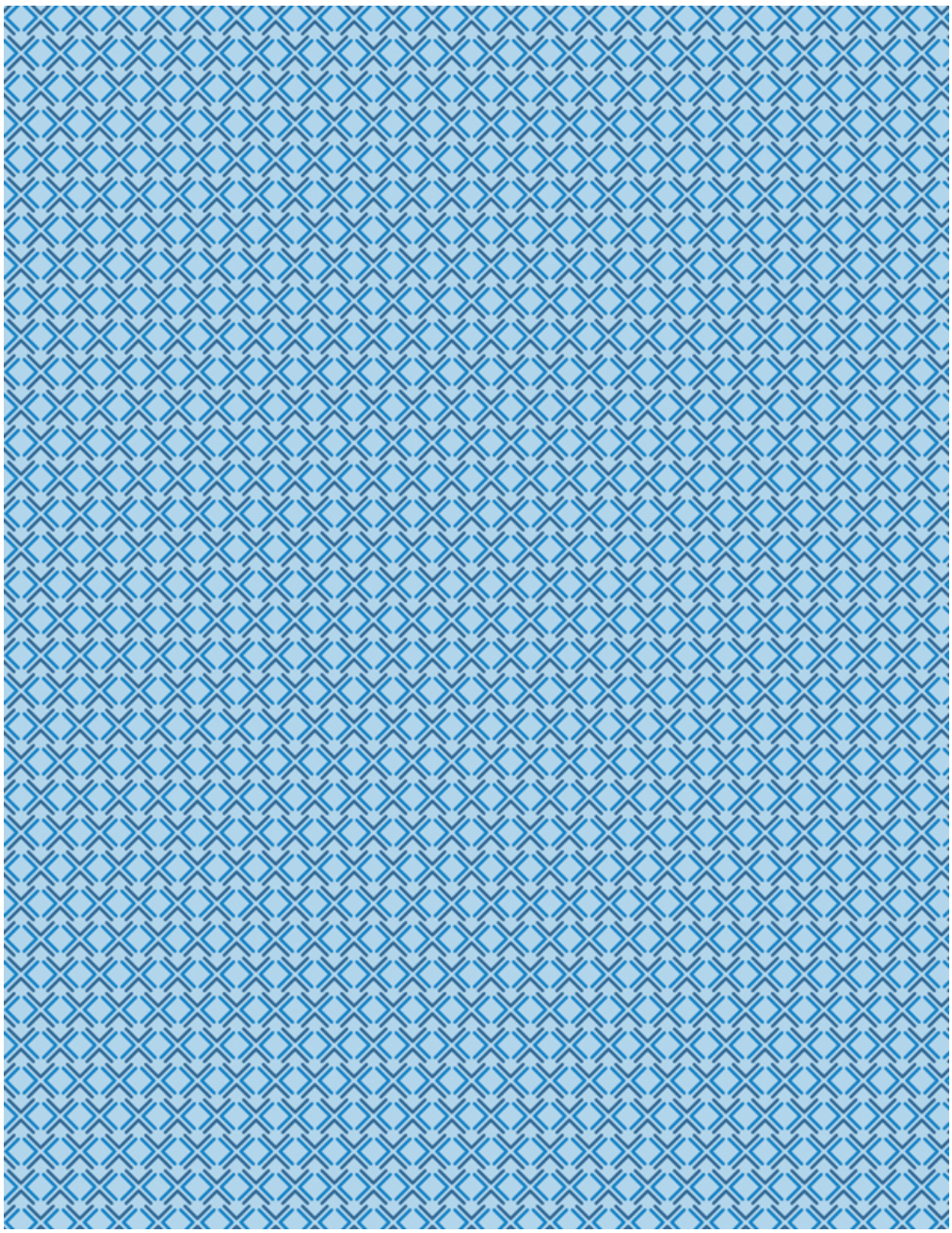
FOCUS

Stantec

STANTEC INC. 2011 FINANCIAL REVIEW

STN·TSX·NYSE

One Team. Integrated Solutions.



AT STANTEC, OUR FOCUS IS ON SUCCESSFULLY IMPLEMENTING OUR BUSINESS STRATEGY TO CONSISTENTLY DELIVER RESULTS FOR OUR CLIENTS, EMPLOYEES, AND SHAREHOLDERS.

From across North America and internationally, we provide our clients integrated design and consulting services in architecture, engineering, interior design, landscape architecture, urban planning, surveying, environmental sciences, economics, project management, and many other disciplines.

In simple terms, the world of Stantec is the water we drink, the routes we travel, the buildings we visit, the industries in which we work, and the neighborhoods we call home.

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STANTEC AT A GLANCE

VISION

To become and remain a top 10 global design firm.
Being top 10 means

- Recognition for the quality of our work among the top 10 firms in our industry
- Working on complex projects for top, long-term clients
- Ability to attract and retain highly talented, innovative employees

TOP 10

MISSION

To be One Team providing integrated solutions to create shared value for our clients, employees, shareholders, and communities.

ONE TEAM

STRATEGY

To achieve our vision, we focus on

- Positioning Stantec among the top-three service providers in our geographic locations
- Focusing on operational excellence
- Providing expertise and value-added services to our clients with a commitment to excellence in project execution through an integrated quality management system
- Driving a client-focused culture through cross-selling efforts and account management strategies



The successful implementation of our business strategy results in growth. The three key drivers of our strategic plan are our foundation, our clients, and our people. We create shareholder value through building on our foundation, attracting and retaining the best clients, and focusing on our people. Based on our successes in those areas, we believe that we are well positioned to realize our vision of becoming and remaining a top 10 global design firm.



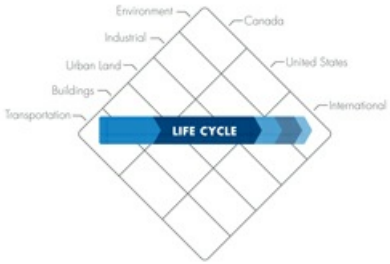
SUSTAINABILITY

We are committed to being a leader and model of sustainability by doing business in a way that meets the needs of the present while contributing to an environmentally, socially, and economically sustainable future. This commitment is at the heart of how we operate and how we deliver solutions to our clients, and is vital to our long-term success in achieving our vision. In support of this commitment, we are now certified to the ISO 14001 environmental standard, which promotes the reduction of the organization's environmental footprint and drives regulatory compliance.

BUSINESS MODEL

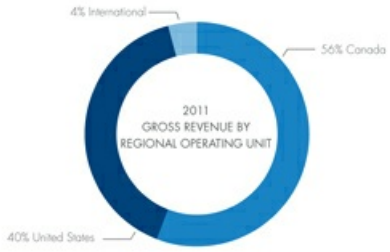
Our business model is based on providing services across diverse geographic locations, distinct practice area units, and all phases of the infrastructure and facilities project life cycle—planning, design, construction, maintenance, and decommissioning.

This three-dimensional, sustainable approach ensures that we do not have to depend on any single geographic location, practice area unit, or life cycle phase for our work. Each time we strengthen any of the three dimensions, we increase and diversify our business.



GEOGRAPHIC DIVERSIFICATION

We operate in three main geographic locations: Canada, the United States, and International. Our aim is to offer the power and resources of a large global entity while maintaining the personality and service delivery attitude of a small, local business.



TOP: Castle Rock Ridge Wind Power
Pincher Creek, Alberta

PRACTICE AREA UNIT SPECIALIZATION

Currently, we provide services in five specialized and distinct practice area unit groupings: Buildings, Environment, Industrial, Transportation, and Urban Land. Focusing on this combination of project services helps differentiate us from our competitors and allows us to enhance our presence in new geographic locations and markets while establishing and maintaining long-term client relationships.



BUILDINGS Stantec's Buildings team works with our clients to design high performance, cost-effective, and sustainable buildings. Services include

- Pre-design services including project and program definition and planning
- Architectural and interior design
- Structural, mechanical, electrical, and acoustical engineering
- Sustainability and performance engineering
- Post-construction services including commissioning and systems optimization

ENVIRONMENT Stantec's Environment team provides our clients with integrated, professional, and sustainable solutions to their environmental concerns. Services include

- Water supply, treatment, storage, and distribution
- Wastewater collection, pumping, treatment, and disposal
- Watershed management
- Environmental assessment, documentation, and permitting
- Ecosystem restoration planning and design
- Environmental site management and remediation
- Subsurface investigation and characterization
- Geotechnical engineering

INDUSTRIAL Stantec's Industrial team provides integrated, practical solutions for complex industrial projects that meet functional needs and are sensitive to the environment. Services include

- Project planning and development
- Functional programming
- Engineering
- Project management
- Project services including construction support
- Strategic advisory services

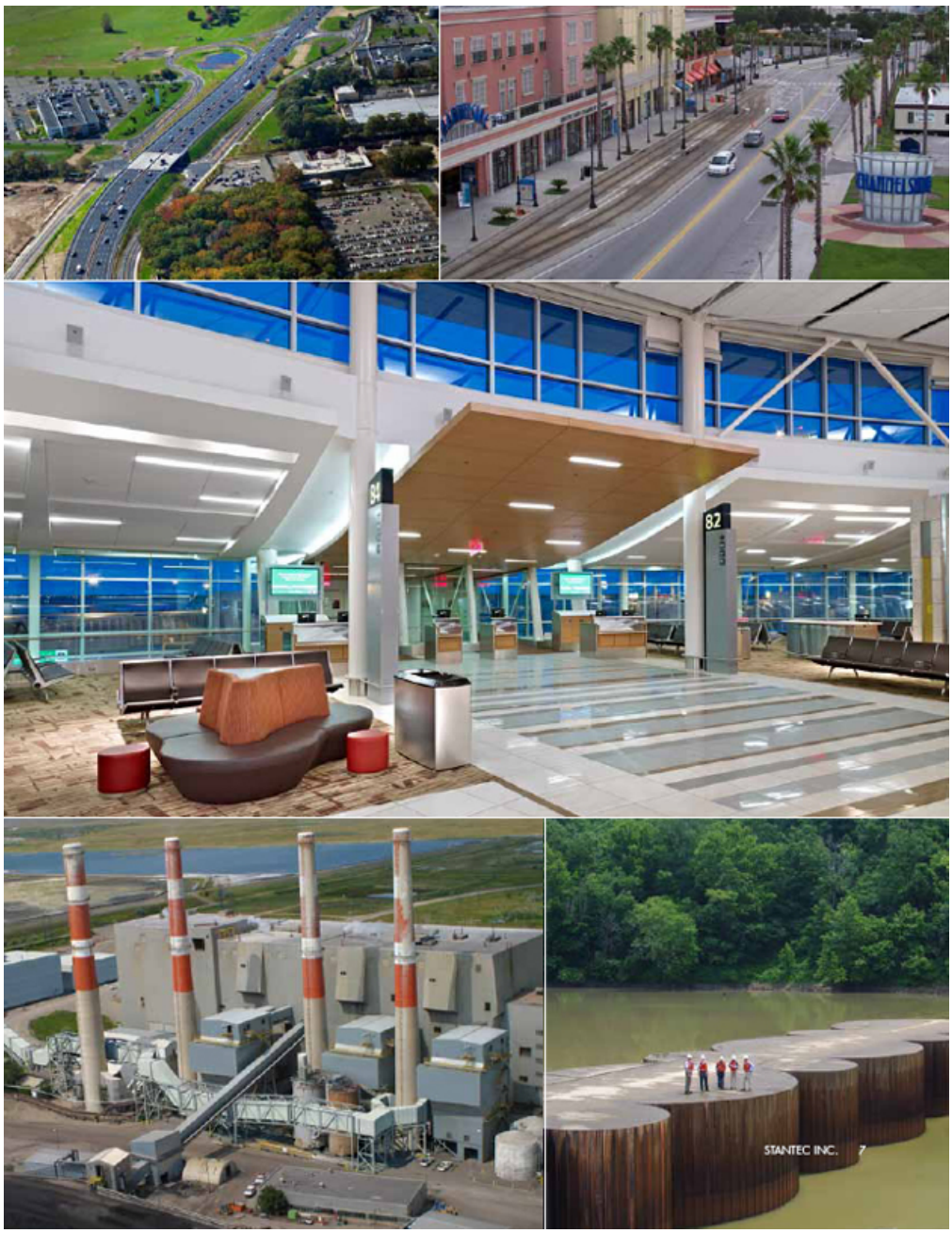
TRANSPORTATION Stantec's Transportation team provides a full range of innovative services to facilitate the safe and efficient movement of people and goods through a variety of modes of transportation. Services include

- Project management
- Transportation planning and investment studies
- Engineering
- Construction administration
- Infrastructure management

URBAN LAND Stantec's Urban Land team works to enhance the quality of life where people work, live, and play by providing client solutions that are environmentally responsible, aesthetically beautiful, functional, and technically sound. Services include

- Planning
- Landscape architecture
- Geomatics
- Engineering
- Project management
- Conceptual and master planning
- Development approvals and entitlement
- Infrastructure design
- Construction review

1. US Route 1, Section 6V Replacement
   North Brunswick, New Jersey
2. Channelside Redevelopment
   Tampa, Florida
3. Edmonton International Airport Expansion
   Edmonton, Alberta
4. Boundary Dam Integrated Carbon Capture and Sequestration Demonstration Project
   Estevan, Saskatchewan
5. Kentucky River Locks and Dams Engineering Services
   Various Locations, Kentucky


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STANTEC INC.

2011 FINANCIAL SUMMARY AND HIGHLIGHTS

(In thousands of Canadian dollars, except per share amounts and ratios)	IFRS 11	IFRS 10	09*	08*	07*
Gross revenue	1,683,403	1,513,062	1,519,865	1,351,951	954,619
Net revenue	1,378,547	1,226,040	1,242,942	1,130,124	830,888
Income before taxes [1]	49,676	134,779	91,666	64,499	99,114
Net income [1]	12,662	94,741	55,940	29,017	69,279
Current assets	529,153	500,944	409,253	480,725	323,248
Current liabilities	327,516	323,992	283,811	300,009	232,697
Property and equipment	107,853	113,689	108,256	107,768	80,776
Long-term debt	236,601	275,636	198,769	215,113	74,539
Shareholders' equity	627,048	615,585	547,394	538,975	442,698
Gross revenue backlog [2]	1,120,000	1,043,000	948,000	1,005,000	831,000
EBITDA [3]	195,727	185,391	182,412	166,429	123,448
Cash and short-term deposits	36,111	62,731	14,690	103,979	14,175
Earnings per share – basic [1]	0.28	2.07	1.23	0.64	1.52
Earnings per share – diluted [1]	0.28	2.06	1.22	0.63	1.50
Current ratio	1.62	1.55	1.44	1.60	1.39
Net debt to equity ratio	0.41	0.42	0.40	0.26	0.19
Weighted average number of shares outstanding	45,638,311	45,690,555	45,544,688	45,584,612	45,577,261
Shares outstanding	45,523,585	45,768,320	45,716,820	45,448,123	45,698,143
Shares traded	42,741,114	36,927,790	40,881,633	57,354,858	34,463,255
TSX *(In Canadian dollars)*					
High [4]	30.33	30.40	30.85	40.10	39.31
Low [4]	21.50	22.79	18.56	16.35	23.70
Close	27.57	27.73	30.40	30.15	38.89
NYSE *(In US dollars)*					
High [4]	31.89	29.29	29.53	40.30	39.64
Low [4]	20.96	20.80	14.19	12.70	20.10
Close	27.25	27.97	28.84	24.70	39.02

[1] The figures for 2008, 2009, and 2011 are after a goodwill impairment charge.

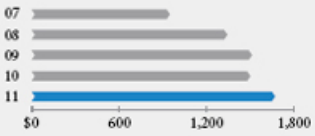
[2] This is unaudited information.

[3] EBITDA is calculated as income before income taxes less net interest expense, amortization of intangible assets, depreciation of property and equipment, and goodwill and intangible impairment.

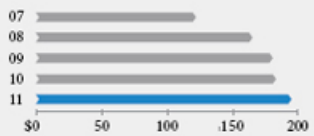
[4] High and low prices for the common shares on the Toronto Stock Exchange (TSX) and New York Stock Exchange (NYSE) during the 52 weeks ended December 31, 2011, shown above, were the intraday prices.

* These numbers are not restated for compliance with International Financial Reporting Standards (IFRS) but are reported under Canadian GAAP (CGAAP) effective in the year concerned.

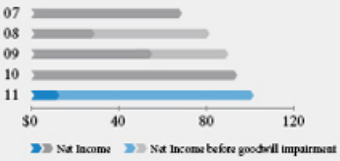
GROSS REVENUE



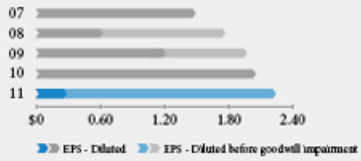
EBITDA



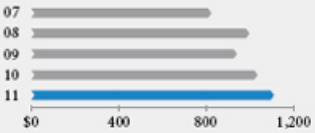
NET INCOME



DILUTED EPS



GROSS REVENUE BACKLOG



All charts represent millions of Canadian dollars, except for diluted EPS. 2011 and 2010 numbers are in compliance with IFRS. Prior years are not restated but are reported under CGAAP.

WHY INVEST IN STANTEC?

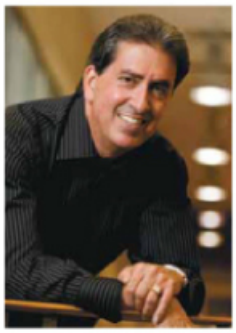
BECAUSE WE ARE FOCUSED ON DELIVERING RESULTS.

OUR **GROSS REVENUE** WAS **$1.7 BILLION**
(2010 — $1.5 billion)

WE INCREASED **EBITDA** TO **$195.7 MILLION**
(2010 — $185.4 million)

CASH FLOWS FROM OPERATING ACTIVITIES WERE **$114.6 MILLION**
(2010 — $111.9 million)

MESSAGE TO SHAREHOLDERS



The word that best characterizes Stantec as we move into 2012 is focus. Despite the ongoing challenges of the business environment, we have remained focused on our long-term strategy. We saw 2011 unfold in a way that renewed our commitment to our people, our clients, and our foundation. Through disciplined execution of our strategy, integrated project delivery to global/national and regional/local clients, and through the commitment and expertise of our people, we delivered solid results.

FOCUS ON PERFORMANCE. Once more, we ended the year with a strong balance sheet and an increase in operating cash flows, giving us the flexibility to continue to grow both organically and through acquisitions. At the same time, we achieved revenue growth, our EBITDA increased, and we saw our 58th year of uninterrupted profitability. Thanks to our financial strength and confidence in our ability to generate sustained cash flow, in February 2012, Stantec's board of directors approved a dividend policy and concurrently declared our first quarterly dividend, payable on April 17, 2012 to shareholders of record on March 30, 2012. The declaration of this dividend reflects the confidence of our board of directors and management in our ability to generate ongoing cash flow from operations, continue to grow revenue, and complete strategic acquisitions while providing enhanced shareholder returns.

FOCUS ON TOP-TIER POSITIONING. We continued to enhance our local strength and expand the depth and breadth of our services in 2011 through the acquisition of five companies, each which have helped strengthen our position as a top-tier firm in our geographic locations. Collectively, these firms added approximately 725 staff to our One Team; strengthened our presence in the US Midwest and Southeast; and expanded our presence to all Canadian provinces and territories with new locations in Nunavut and Yukon. These acquisitions have also helped align our interest in emerging markets such as shale gas, as well as alternate project delivery models which continue to gain traction in the United States.

FOCUS ON OUR CLIENTS. In 2011 we evolved our organizational structure to reflect the sectors in which our clients do business, enabling us to match our expertise accordingly through effective cross-selling. For example, through multidisciplinary collaboration, we won a project to provide architecture; interior design; structural, mechanical, and electrical engineering; surveying; and site development services to assist retailer Target with the rollout of its stores into the Canadian marketplace. We continued to expand our account management program, helping us to strengthen our relationship with key global/national and regional/local clients by meeting more of their service needs. For example, we secured contracts for the Polaris pipeline expansions and Cold Lake pipeline system projects in Alberta with Inter Pipeline Fund.

Through disciplined execution of our strategy, integrated project delivery to global/national and regional/local clients, and through the commitment and expertise of our people, we delivered solid results.

We also secured a long-term project with the US Department of Transportation to provide the Federal Highway Administration with technical services in the United States and Canada, established under the Strategic Highway Research Program.

FOCUS ON OPERATIONAL EXCELLENCE. Our core commitment to technical, project management, and client service excellence forms the foundation for the growth and diversity of our Company. Our formal integrated management system provides a disciplined and accountable framework for managing risks, quality outcomes, and regulatory compliance. This integrated management system has been implemented and registered to three internationally recognized ISO standards:

- ISO 9001:2008 Quality Management Standard – aligns business processes with strategic objectives, provides a disciplined approach to managing risk, and promotes quality outcomes and management transparency
- ISO 14001:2004 Environmental Management Standard – promotes the reduction of the organization's environmental footprint and drives regulatory compliance
- ISO/IEC 20000-1:2005 IT Service Management Standard – promotes the quality, consistency, reliability, and value of information technology services

Our integrated management system, in addition to our strong enterprise system, collectively help us to manage our operations effectively.

In 2011, and every year, we have our committed and hardworking employees to thank. By working together as One Team, they deliver high-quality, integrated, and well-managed projects to our clients and effectively manage our operations. Through their dedication, they help us to execute our long-term strategy and provide us with a reputation for excellence.

Our performance in 2011 was a testament to the strength of our business model, which enabled us to adjust our service delivery to meet the needs of our clients and those of a changing market. As we look to 2012, a year where we anticipate moderate economic recovery, we remain focused on the disciplined execution of our long-term strategy. We are confident that we are well positioned to continue to expand our business to meet our clients' needs and to take advantage of market opportunities because of the agility of our business model.

In closing, we would like to thank our clients for entrusting us with their projects. The services we provide are essential to helping our clients improve the quality of life in communities across North America and around the world, and we are thankful to our clients for allowing us to work with them as One Team to achieve their project goals, which in turn contributes to our success.

On behalf of Stantec, thank you for your confidence in our strategic direction and for your continued support.



Bob Gomes, P.Eng.
President & CEO

BOARD OF DIRECTORS

At Stantec we know the integrity of a company's board of directors sets the tone for its operations, and we have in place a remarkable group of qualified, knowledgeable directors. All members of our board fulfill their roles guiding the management of the Company's business and affairs while adhering to sound corporate governance practices in three major areas: stewardship, independence, and expertise.

1. ARAM H. KEITH
Chair of the Board of Directors, Stantec Inc., Irvine, California

2. ROBERT J. GOMES
President & CEO, Stantec Inc.
Edmonton, Alberta

3. DOUGLAS K. AMMERMAN
Director, Stantec Inc.
Laguna Beach, California

4. ROBERT J. BRADSHAW
Director, Stantec Inc.
Toronto, Ontario

5. DAVID L. EMERSON
Director, Stantec Inc.
Vancouver, British Columbia

6. DR. DELORES M. ETTER
Director, Stantec Inc.
Dallas, Texas

7. ANTHONY P. FRANCESCHINI
Director, Stantec Inc.
Edmonton, Alberta

8. SUSAN E. HARTMAN
Director, Stantec Inc.
Evergreen, Colorado

9. IVOR M. RUSTE
Director, Stantec Inc.
Calgary, Alberta

CORPORATE OFFICERS

ARAM H. KEITH
Chair of the Board of Directors

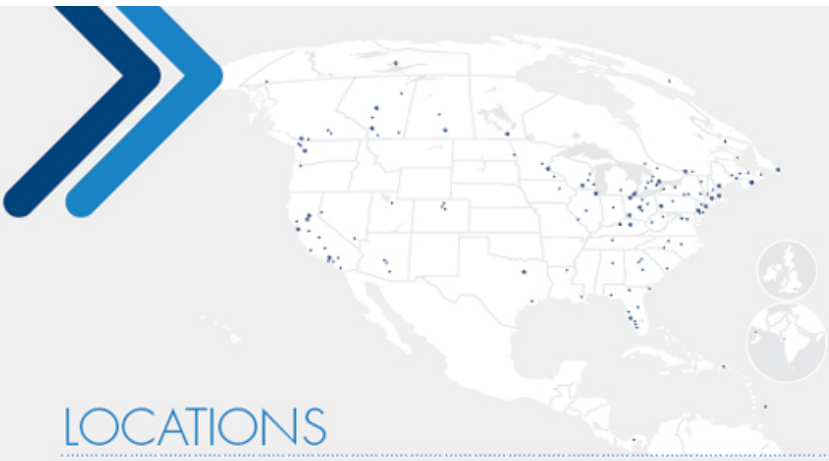
ROBERT J. GOMES
President & CEO

DANIEL J. LEFAIVRE
Senior Vice President & CFO

RICHARD K. ALLEN
Senior Vice President & COO

PAUL J.D. ALPERN
Vice President, Secretary & General Counsel





LOCATIONS

CANADA

Calgary, Alberta
Edmonton, Alberta
Fort McMurray, Alberta
Lethbridge, Alberta
Medicine Hat, Alberta
Red Deer, Alberta
Abbotsford, British Columbia
Burnaby, British Columbia
Kamloops, British Columbia
Kelowna, British Columbia
Sidney, British Columbia
Surrey, British Columbia
Vancouver, British Columbia
Victoria, British Columbia
Winnipeg, Manitoba
St. John's, Newfoundland & Labrador
Fredericton, New Brunswick
Moncton, New Brunswick
Saint John, New Brunswick
Yellowknife, Northwest Territories
Halifax, Nova Scotia
Sydney, Nova Scotia
Iqaluit, Nunavut
Barrie, Ontario
Burlington, Ontario
Guelph, Ontario
Hamilton, Ontario
Kitchener, Ontario
London, Ontario
Markham, Ontario
Mississauga, Ontario
North Bay, Ontario
Ottawa, Ontario
Sudbury, Ontario
Toronto, Ontario
Windsor, Ontario
Charlottetown, Prince Edward Island
Montreal, Quebec
Regina, Saskatchewan
Saskatoon, Saskatchewan
Whitehorse, Yukon

UNITED STATES

Birmingham, Alabama
Phoenix, Arizona
Tempe, Arizona
Tucson, Arizona
Bakersfield, California
Fresno, California
Irvine, California
Lafayette, California
Long Beach, California
Los Angeles, California
Los Gatos, California
Modesto, California
Petaluma, California
Redlands, California
Rocklin, California
Sacramento, California
San Diego, California
San Francisco, California
San Luis Obispo, California
Thousand Oaks, California
Walnut Creek, California
Boulder, Colorado
Denver, Colorado
Fort Collins, Colorado
Washington, District of Columbia
Hamden, Connecticut
Hartford, Connecticut
Fort Myers, Florida
Jacksonville, Florida
Naples, Florida
Orlando, Florida
Panama City, Florida
Port Charlotte, Florida
Sarasota, Florida
Tallahassee, Florida
Tampa, Florida
Atlanta, Georgia
Duluth, Georgia
Macon, Georgia
Chicago, Illinois
Springfield, Illinois
Indianapolis, Indiana
Waterloo, Iowa
Lexington, Kentucky
Louisville, Kentucky
New Orleans, Louisiana
West Monroe, Louisiana
Scarborough, Maine
Topsham, Maine
Boston, Massachusetts
Northampton, Massachusetts
Westford, Massachusetts
Ann Arbor, Michigan
Detroit, Michigan
Lansing, Michigan
Rochester, Minnesota
St. Cloud, Minnesota
St. Paul, Minnesota
White Bear Lake, Minnesota
St. Louis, Missouri
Las Vegas, Nevada
Reno, Nevada
Auburn, New Hampshire
Mount Laurel, New Jersey
Rochelle Park, New Jersey
Toms River, New Jersey
Albany, New York
Binghamton, New York
Buffalo, New York
Elmira, New York
Hauppauge, New York
New York, New York
Rochester, New York
Charlotte, North Carolina
Raleigh, North Carolina
Winston-Salem, North Carolina
Fargo, North Dakota
Canton, Ohio
Cincinnati, Ohio
Cleveland, Ohio
Columbus, Ohio
Logan, Ohio
Sylvania, Ohio
Toledo, Ohio
Portland, Oregon
Butler, Pennsylvania
Philadelphia, Pennsylvania
Pittsburgh, Pennsylvania
Plymouth Meeting, Pennsylvania
State College, Pennsylvania
West Chester, Pennsylvania
Charleston, South Carolina
Nashville, Tennessee
Arlington, Texas
Dallas, Texas
Houston, Texas
Salt Lake City, Utah
South Burlington, Vermont
Leesburg, Virginia
Redmond, Washington
Seattle, Washington
Buckhannon, West Virginia
Charleston, West Virginia
Green Bay, Wisconsin
Madison, Wisconsin
Milwaukee, Wisconsin
Waupun, Wisconsin

INTERNATIONAL

St. Michael, Barbados
London, England
Ahmedabad, India
Panama City, Panama
Guaynabo, Puerto Rico
Abu Dhabi, United Arab Emirates
Dubai, United Arab Emirates

STANTEC INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

and

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2011, and 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 23, 2012

This discussion and analysis of Stantec Inc.'s operations, financial position, and cash flows for the year ended December 31, 2011, dated February 23, 2012, should be read in conjunction with the Company's 2011 audited consolidated financial statements and related notes for the year ended December 31, 2011. Our 2011 audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The impact of the transition to IFRS on our reported financial position, financial performance, and cash flows, including the nature and effect of significant changes in accounting policies from those used in our consolidated financial statements for the year ended December 31, 2010, are described in the Critical Accounting Estimates, Developments, and Measures section (under the Transition to IFRS subheading) of this Management's Discussion and Analysis and in note 38 of our December 31, 2011, audited consolidated financial statements. Unless otherwise indicated, comparative figures in this Management's Discussion and Analysis have been restated to give effect to these changes.

Unless otherwise indicated, all amounts shown below are in Canadian dollars. Additional information regarding the Company, including our Annual Information Form, is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. Such additional information is not incorporated by reference and should not be deemed to be made part of this Management's Discussion and Analysis.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our public communications often include written or verbal forward-looking statements within the meaning of the US Private Securities Litigation Reform Act and Canadian securities laws. Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions or courses of action and include future-oriented financial information.

Statements of this type are contained in this report, including the discussion of our goals in the Core Business and Strategy section and of our annual and long-term targets and expectations for our regions and practice areas in the Results and Outlook sections, and may be contained in filings with securities regulators or in other communications. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives for 2012 and beyond, our strategies or future actions, our targets, our expectations for our financial condition or share price, or the results of or outlook for our operations.

We provide forward-looking information for our business in the Core Business and Strategy section as well as the Results (under the Results of Operations—Gross and Net Revenue, and Liquidity and Capital Resources subheadings) and Outlook sections of this report in order to describe the management expectations and targets by which we measure our success and to assist our shareholders in understanding our financial position as at and for the periods ended on the dates presented in this report. Readers are cautioned that this information may not be appropriate for other purposes.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that predictions, forecasts, conclusions, projections, and other forward-looking statements will not prove to be accurate. We caution readers of this report not to place undue reliance on our forward-looking statements since a number of factors could cause actual future results, conditions, actions, or events to differ materially from the targets, expectations, estimates, or intentions expressed in these forward-looking statements.

Future outcomes relating to forward-looking statements may be influenced by many factors, including, but not limited to, the following material and known risks, each of which is further described in the Risk Factors section of this report.

- Economic downturns could have a negative impact on our business since our clients may curtail investment in infrastructure projects or experience difficulty paying for services performed.
- The professional consulting services industry is highly competitive, which could have a negative impact on our profit margins and market share.
- The nature of our business exposes us to potential liability claims and contract disputes, which may reduce our profits.
- We may be unsuccessful in our goal of growing our business organically, which could lead to a reduction in our market share.
- Changing markets may offer opportunities to provide services through alternate models. Failure to respond to these market demands may result in lost revenues.
- At any given time, a significant portion of our revenue may be derived from a specific geographic region, industry, or sector. Consequently, our business could suffer materially if there were a downturn in that geographic region, industry, or sector.
- Interruption to our systems and network infrastructure could adversely impact our ability to operate.
- We bear the risk of cost overruns in a significant number of our contracts. We may experience reduced profits or, in some cases, losses, under these contracts if costs increase above our estimates.
- Uncertainties associated with an acquisition may cause a loss of employees.
- We may experience difficulties in integrating an acquired entity's business into our existing operations and so may not realize the anticipated benefits of the acquisition.
- Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of future earnings.
- To attain our goal of increasing the size and profitability of our operations, we may pursue and invest in business opportunities outside North America. Unfamiliarity with markets and political environments may impair our ability to increase international revenues.
- Goodwill and intangible assets acquired from our acquisitions represent substantial portions of our total assets. If external market factors such as adverse stock market conditions and a decline in our share price or if our acquired businesses do not perform as expected, we may be required to write down the value of our goodwill and intangible assets, which could have a material adverse effect on earnings.
- One of our primary competitive advantages is our reputation. If our reputation is damaged due to client dissatisfaction, our ability to win additional business may be materially damaged.
- Our employees may face environmental, health, and safety risks and hazards in the workplace resulting in injury or lost time.

Assumptions
In determining our forward-looking statements, we consider material factors including assumptions about the performance of the Canadian and US economies in 2012 and its effect on our business. The assumptions we made in determining the outlook for each of our practice areas, our annual targets, and our outlook for 2012 are listed in the Outlook section of this report.

The preceding list of factors is not exhaustive. Investors and the public should carefully consider these factors, other uncertainties, and potential events, as well as the inherent uncertainty of forward-looking statements, when relying on these statements to make decisions with respect to our Company. The forward-looking statements contained herein represent our expectations as of February 23, 2012, and, accordingly, are subject to change after such date. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time. In the case of the ranges of expected performance for fiscal year 2012, it is our current practice to evaluate and, where we deem appropriate, provide updates. However, subject to legal requirements, we may change this practice at any time at our sole discretion.

EXECUTIVE SUMMARY

Core Business and Strategy

- Our Company provides professional consulting services in planning, engineering, architecture, interior design, landscape architecture, surveying, project management, environmental sciences, and project economics for infrastructure and facilities projects.
- Our goal is to become and remain a top 10 global design firm, and we focus on providing professional services in the infrastructure and facilities market principally on a fee-for-service basis.

Key Performance Drivers and Capabilities

- Our performance drivers are our foundation, our clients, and our people. Our performance depends on our ability to create shareholder value through building on our foundation—which includes our risk profile, delivery model, services, systems, and processes to support successful project delivery and operational effectiveness— attracting and retaining the best clients, and focusing on our people.

Results

- **Continued growth and profitability.** Our gross revenue grew 11.3% in 2011 as compared to 2010, and we achieved a 5.3% increase in our EBITDA, which is our net income before interest expense, income taxes, depreciation, amortization, and goodwill and intangible impairment (the terms gross revenue and EBITDA are defined in the Definition of Non-IFRS and Additional IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this report). Excluding the impact of a $90.0 million non-cash goodwill impairment charge, net income increased 8.4% to $102.7 million compared to $94.7 million in 2010, and our diluted earnings per share increased 9.2% to $2.25 as compared to $2.06 in 2010.
- **Ongoing ability to adapt to challenging economic conditions.** We achieved these positive results in a challenging economic environment and competitive landscape. In 2011, we continued to show strong operational performance, demonstrating our ability to adapt our business model to changing markets.
- **Growth through acquisition.** Acquisitions completed in 2010 and 2011 contributed $183.2 million to the increase in our gross revenue from 2010 to 2011. We completed five acquisitions in 2011.

- **Strong balance sheet and liquidity.** Our balance sheet remains solid. In 2011, we generated strong cash flows from operations, which we used for operations and acquisition growth. In 2011, we extended the maturity of our $350 million revolving credit facility to August 31, 2015. At December 31, 2011, $259.5 million of our credit facility was available for future acquisitions, working capital needs, and general corporate purposes. To gain additional financial flexibility in 2011, we issued $70 million of 4.332% senior secured notes, due May 10, 2016, and $55 million of 4.757% senior secured notes, due May 10, 2018.
- **Dividend policy.** Stantec's board of directors approved a dividend policy on February 15, 2012, and concurrently declared its first quarterly dividend. This reflects our financial strength and confidence in our ability to generate ongoing cash flow from operations, continue to grow revenue, and complete strategic acquisitions while providing enhanced shareholder returns.

Outlook

- We believe that our overall outlook for 2012 is a moderate increase in organic gross revenue, with a targeted 2.0 to 3.0% increase compared to 2011, particularly in geographic locations and practice area units where we are a top-tier service provider. The outlook for each practice area unit in 2012 ranges from stable for our Buildings practice area unit, to stable to moderate organic growth for our Environment, Urban Land, and Transportation practice area units, to moderate organic growth for our Industrial practice area unit.

Risks

- Various risk factors could cause our actual results to differ materially from those projected in the Outlook section and other forward-looking statements in this report. The material, known risks are described in the Risk Factors section of this report. Although the difficult economic environment appears to be slowly improving, related pressures, such as increased competition, margin compressions, project delays, and fiscal rebalancing, are not expected to subside immediately. Pressures and uncertainties related to economic recovery, volatility in the Canadian/US exchange rate, and public infrastructure funding may adversely impact our outlook for 2012.

CORE BUSINESS AND STRATEGY

Our Company provides professional consulting services in planning, engineering, architecture, interior design, landscape architecture, surveying, project management, environmental sciences, and project economics for infrastructure and facilities projects. By integrating our expertise in these areas across North America and in other international locations, we are able to work as One Team to provide our clients with a vast number of project solutions. This integrated approach enables us to execute our "Global Expertise. Local Strength." operating philosophy by maintaining a world-class level of expertise, which we supply to our clients through the strength of our local offices.

We focus on providing professional consulting services in the infrastructure and facilities market, principally on a fee-for-service basis, while participating in various models of alternative project delivery. By focusing on a multidisciplinary service delivery, we also support clients throughout the project life cycle—from the initial conceptualization and financial feasibility study to project completion and beyond.

Our goal is to become and remain a top 10 global design firm. In 2009, we developed a new 10-year strategic plan for achieving our goal. From 2010 to 2020, we intend to continue to increase the depth and breadth of our services. We are confident that we can do so because we have built a solid foundation—made up of a robust business strategy, workforce, organizational structure, and systems—to take us into the future. We will remain focused on servicing the North American market while gradually increasing our geographic reach in other markets that are best suited and receptive to our services as these services evolve and mature. Currently, international work outside of North America accounts for 4% of our business. By 2020, we aim to generate up to 10% of our revenue from our international work. During the year, we revised this target from 20% to 10% in light of the current uncertain global economy and our short-term focus on strengthening our presence in the United States.

Our strategy involves balancing organic and acquisition growth. We will continue to focus on organic growth by expanding our existing business through concentrating on cross-selling existing services to our clients, whether global/national or regional/local. Our One Team approach helps us to provide these integrated services to our clients, which—in turn—results in organic growth.

Our strategy for achieving our vision is by:

- Positioning ourselves among the top-three service providers in the geographic locations in which we operate
- Focusing on operational excellence
- Providing expertise and value-added services to our clients with a commitment to excellence in project execution through integrated quality management systems
- Driving a client-focused culture through cross-selling efforts and account management strategies
- Mitigating risk by taking on little or no construction risk and through project diversification among many clients and geographic regions through the use of a focused, three-dimensional business model

Our business model is a key element of our strategy since it allows us to manage risk while continuing to increase our revenue and earnings through geographic diversification and practice area unit specialization and by providing design solutions in all five phases of the infrastructure and facilities project life cycle (planning, design, construction, maintenance, and decommissioning). Because of the diversity of our model, we are generally able to adapt to changes in market conditions, such as the current challenging economy, by offsetting decreased demand for services in one practice area unit with increased demand for services in another practice area unit.

Through our One Team approach to our business and service delivery, under the rules of IFRS we have one reportable segment—Consulting Services—which is an aggregate of our operating segments. Our operating segments are based on our regional geographic areas, and our chief operating decision maker (chief executive officer) assesses our Company's performance based on financial information available from these geographic areas. In addition, we have practice area units that provide strategic direction, mentoring, and technical support to our operations across our geographic regions.

The following discussion outlines the three main components of our business model.

Geographic Diversification
During the first half of 2010, we operated in four main geographic regions in North America—Canada East, Canada West, the US East, and the US West—and had a few small offices in the Caribbean with a project presence in several other international locations. In the last half of the year, we expanded our international presence through acquisitions, adding offices in the United Kingdom, the United Arab Emirates, and India. To reflect this growth, in the beginning of 2011, we reorganized our operations into three main geographic regions: Canada, the United States, and International.

Our goal in each of our geographic locations is to position ourselves among the top three service providers. We realize this goal in our existing locations primarily by adding services through organic growth and strategic hiring, which is supplemented by acquisitions. Conversely, we achieve our target in new locations principally by acquiring and integrating firms that complement our organization, which is, in turn, supplemented by strategic hiring and organic growth.

Practice Area Unit Specialization
Currently, we provide services in five specialized and distinct practice area unit groupings: Buildings, Environment, Industrial, Transportation, and Urban Land. Focusing on this combination of project services helps differentiate us from our competitors and allows us to enhance our presence in new geographic locations and markets while establishing and maintaining long-term client relationships. Our strategy for strengthening this element of our business model is to expand the depth of our expertise in our current practice areas—a subset of our practice area units—and to selectively add complementary new practice areas to our operations.

In 2011, in order to enhance our focus on clients, we evolved our model to include 14 sectors in which our clients do business to match our expertise accordingly. The 14 sectors are: Airports & Aviation, Bridges, Commercial, Education/Institutional, Healthcare, Industrial Buildings & Facilities, Mining, Oil & Gas, Power & Energy, Roadways, Science & Technology, Transit/Rail, Urban Development, and Water. Clients within these sectors can benefit from the multidisciplinary services provided by multiple practice area units, meaning that Stantec's One Team can provide integrated solutions to clients in these sectors.

Buildings. We provide architectural and engineering design and consulting services through two practice areas—Architecture and Buildings Engineering—to both private and public sector clients for a wide range of building types and market sectors across North America and internationally. Our core services include project and program definition; facilities planning; architectural and interior design; and structural, mechanical, electrical and acoustical engineering for both new construction and existing buildings. We also offer services in performance engineering and building operating systems, including analyses of exterior envelope, air quality, lighting, and energy efficiencies. Over the past few years, our Buildings practice area unit has also established an industry-wide reputation for leadership in sustainable and integrated design.

Our long-term goal is to become one of the world's leading practices in the design of the built environment, and to be positioned as a leading firm worldwide for our expertise in our chosen market sectors, while building and maintaining a foundation of local operations that have stature and critical mass in their respective local communities. We believe the needs of aging infrastructure in North America and in our international locations will provide the Buildings practice area unit with growth opportunities that are consistent with the overall growth targets for the Company as a whole. In the short term, the buildings industry in North America is experiencing volatility, increased competition, and uncertainty in funding for public and private sector projects. Nevertheless, over the past year we have secured projects in our principal focus areas of healthcare and educational facility planning and design. Our outlook for 2012 assumes our ability to take advantage of our expanded geographic presence to pursue North American and international opportunities, and we believe we are well positioned to secure Public-Private Partnership (P3) opportunities, which continue to emerge in Canada and appear poised to emerge in the United States.

Environment. We provide solutions for water supply and wastewater treatment for communities and industry; planning and permitting infrastructure projects; ecosystem restorations; and soil-structure interaction evaluations through our Water, Environmental Services, and Geotechnical practice areas. Approximately one third of Environment's revenue is derived from water supply, treatment, storage, transmission, and distribution; wastewater collection, pumping, treatment, and disposal; and watershed management. We derive the remaining

revenue from the provision of environmental services such as environmental assessments, documentation, and permitting; ecosystem restoration planning and design; environmental site management and remediation; subsurface investigation and characterization; and geotechnical engineering services. Half of our environmental services are provided to clients in the oil and gas, power, and mining sectors as part of regulatory and permitting activities. The other half of our environmental services' revenue is derived from a range of other development activities in the communities and clients we service.

In 2012 and over the next five years, we will focus on strengthening our Environment practice area unit by continuing to expand its profile and market share throughout North America, primarily to clients in the mining, power, and oil and gas sectors. By 2020, we expect to be a top-tier firm in the water and environmental services sectors in North America. In the oil and gas sector, we aim to be a leading global firm in the environmental review, permitting, and licensing markets and a top-tier provider of liability management services to top energy firms worldwide.

Industrial. We provide consulting and design services to private, public, and government clients through five practice areas: Industrial Buildings & Facilities, Mining, Oil & Gas, Power, and Program & Project Management. Our core services include planning, functional programming, all aspects of engineering project management, and operational and construction support. We also provide specialty services in strategic management consulting and in the management of multibillion-dollar client programs through our Program & Project Management practice area.

In 2011, we experienced substantial growth in Mining, especially in potash. We also experienced growth in Oil & Gas, especially in pipeline terminals and system-assisted gravity drainage, and in Industrial Buildings & Facilities, where large transport and equipment dealers, manufacturers, and servicing companies—both public and private—renewed or constructed facilities. Efforts in Power secured new projects in the area of clean coal, landfill gas combustion, and the evolving business of the Smart Grid.

Over the next five years, we expect to grow organically and to complete acquisitions that complement our existing services in order to become a top-tier service provider in North America and to generate a greater portion of our Industrial revenues internationally. Our goal for 2020 is to develop several of our sectors into top 10 service providers in North America and earn up to 10% of our industrial revenues through international work.

Transportation. We provide transportation consulting and design services, which include project management, planning, engineering, construction administration, and infrastructure management. More specifically, we prepare transportation master plans for communities; conduct transportation investment studies; plan and design airport, transit, rail, and highway facilities; provide administration and support services for the construction of specific projects; and provide ongoing management planning for the upkeep of transportation facilities. In addition, we provide specialized services such as simulation modeling, evaluate the effectiveness of alternative transportation demand and supply management techniques, prepare investment-grade revenue studies for funding transportation projects, provide public consultation and environmental assessment skills to build broad public support for infrastructure plans, and design and implement integrated infrastructure/asset management systems for all types of transportation infrastructure.

Over the next five years, we expect this practice area unit to move from a top 20 position to a top 10 position in North America through continued development of a strong local presence in growing urban areas, which will be supplemented by expertise in specialty skills that, along with a focus on exemplary levels of client service, differentiate us from other local firms offering similar skill sets. For 2020, our goal is to have a top-five Transit/Rail sector, viable Airports & Aviation and Bridges sectors, and a well-diversified Roadways sector that is capable of competing for the largest and most complex projects in most major urban areas across North America.

Public funding is a key element in the growth opportunities in 2012 and beyond for the Transportation practice area unit, and increases in those funds is limited by budget deficit reduction efforts in most jurisdictions. The P3 and other alternative project delivery models are strong in Canada and, despite limitations on public funding, we expect to see increased opportunities in the United States in the next five years. We will continue to monitor developments in alternate project delivery and other funding mechanisms and focus on those geographic areas and subsets of transportation where funding is the most robust.

Urban Land. We provide planning, landscape architecture, geomatics, engineering, and project management solutions—in greenfield, brownfield, and urban developments—principally for land development, municipal, institutional, real estate, and retail and commercial clients through two practice areas: Urban Development and Geomatics. Our core services include, or relate to, conceptual and master planning, development approvals and entitlement, infrastructure design, landscape architecture, construction review, and a wide variety of surveying and geomatics services to support the residential, commercial, and retail land development industries, municipalities, and major colleges and universities.

The Canadian housing market continued to be relatively buoyant in 2011 and our Canadian Urban Land practice area unit is generally performing well. The US housing market was relatively stable in 2011 compared to 2010, and we believe the anticipated economic recovery in the United States will be slow while the Canadian market will remain robust, although growing at a less accelerated pace. Over the next 5 to 10 years, we aim to be a North American leader in providing integrated planning and urban design services as well as geospatial services (geographic information systems, scanning, survey geodetics, and remote sensing).

Life Cycle Solutions

The third element of our business model is the provision of professional services in all five phases of the project life cycle—planning, design, construction, maintenance, and decommissioning. This inclusive approach enables us to deliver services during periods of strong new capital project activity (i.e., design and construction) as well as during periods of lower new capital project expenditures (i.e., maintenance and rehabilitation). Beginning with the planning and design stages, we provide conceptual and detailed design services, conduct feasibility studies, and prepare plans and specifications. During the construction phase, we generally act as the owners' representative, providing project management, surveying, and resident engineering services. We focus principally on fee-for-service type work and generally do not act as the contractor or take on construction risk. Following project completion, during the maintenance phase, we provide ongoing professional services for maintenance and rehabilitation projects in areas such as facilities and infrastructure management, facilities operations, and performance engineering. Finally, in the decommissioning phase, we provide solutions, recommendations, and remediation strategies for taking facilities out of active service.

Going forward, our strategy is to continue to expand the scope of services we provide in the initial planning stages and during maintenance, enabling us to establish longer-term relationships with clients throughout the project life cycle. Our three-dimensional business model allows us to provide services to many clients and for many projects, ensuring that we do not rely on a few large projects for our revenue and that no single client or project accounts for more than 5% of our business.

KEY PERFORMANCE DRIVERS AND CAPABILITIES

The three key drivers of our strategic plan are our foundation, our clients, and our people. Our performance depends on our ability to create shareholder value through building on our foundation, attracting and retaining the best clients, and focusing on our people. Based on our successes in those areas, we believe that we are well positioned to realize our goal of becoming and remaining a top 10 global design firm.

Foundation
Our foundation includes our risk profile, delivery model, services, systems, and processes to support successful project delivery and operational effectiveness. Some of the ways our Company focuses on these components are through improved communication and engagement within our balanced leadership model; strengthening resources and support for the One Team model in order to promote a quality management culture that is committed to excellence in project execution; and providing outstanding client service while building a culture of cross-selling and fostering organic growth. Some of the important key elements to our foundation are described below.

Operational excellence
To create our shareholder value, we focus strongly on operational excellence, a core component of the Stantec operating model. An example of one of the ways operational excellence is being deployed is the project management framework, which focuses on improving project planning capabilities and tools, and providing a disciplined commitment to quality assurance and peer review requirements. Operational excellence is also structured around operational organization and support, which includes developing more cost-effective methods in which to contract and provide services to our clients, and reporting and compliance, which focuses on providing external stakeholders with information relevant and timely for their decision-making purposes and to comply with applicable regulations. With regard to effective project management and execution, in 2008 we achieved registration with the International Organization for Standardization's (ISO) 9001:2000 quality management standard, and in 2010, we updated this certification to the ISO 9001:2008 standard. ISO 9001:2008 is a globally recognized set of requirements for establishing effective quality management systems.

Financing
Our success also depends on our continuing ability to finance our growth plan. Adequate financing gives us the flexibility to acquire firms that are appropriate to our vision and complement our business model. Since we became publicly traded on the Toronto Stock Exchange (TSX) in 1994, we have increased our gross revenue at a compound annual rate of 18.9%. To fund such growth, we require cash generated from both internal and external sources. Historically, we have completed acquisitions using mostly cash and notes, while at opportune times raising additional funds through equity issuances to replenish our cash reserves, pay down debt, or strengthen our balance sheet. However, we have not made an equity offering since 2005, but instead have funded our growth with cash generated from our operations. In 2010, as part of our long-term financing strategy, we filed a short-form shelf prospectus with regulatory authorities in Canada and the United States, which allows us to issue, from time to time, up to $300 million in common shares until June 2012. In 2011, we extended the maturity of our existing $350 million revolving credit facility to August 31, 2015. This facility also gives us access to an additional $75 million, subject to approval from our lenders. At December 31, 2011, $259.5 million of the facility was available to fund future activities. In addition, in 2011, we issued $70 million of 4.332% secured notes due May 10, 2016, and $55 million of 4.757% senior secured notes due May 10, 2018, which was used to repay existing debt.

Growth opportunities and integration
Our current markets give us many opportunities to build toward our goal of becoming and remaining a top 10 global design firm. We believe that such growth is necessary in order to enhance the depth of our expertise,

broaden our services, increase our shareholder value, provide more opportunities for our employees, and leverage our information technology systems. Our strategy combines organic growth with the acquisition of firms that believe in our vision and want to be part of our dynamic Company. We are confident that we can continue to take advantage of acquisition opportunities because we operate in an industry sector that includes more than 100,000 firms, most of which are small. According to *Engineering News-Record's* 2011 report on the top 500 design firms, the largest engineering and architecture companies headquartered in the United States—our principal competitors—generate about US$80 billion in annual fees, approximately 25% of which they earn internationally. Currently, we have approximately a 2% share of these top 500 design firms' annual fees.

The integration of acquired firms begins immediately following the acquisition closing date and generally takes between six months and two years to complete. It involves the implementation of our Company-wide information technology and financial management systems as well as provision of support services from our corporate and regional offices. This approach allows new staff to focus on their primary responsibility of continuing to serve clients with minimal interruption while taking advantage of our systems and expertise.

Our acquisition and integration program is managed by a dedicated acquisition team that supports, or is responsible for, the tasks of identifying and valuing acquisition candidates, undertaking and coordinating due diligence, negotiating and closing transactions, and integrating employees and systems following an acquisition. This team is complemented and enhanced by other operational staff as appropriate. We measure our success in integrating acquired employees through a post-integration survey and use the survey results to improve future integration activities. In addition, we measure our growth success by monitoring our year-over-year increase in gross revenue that is due to organic and acquisition growth.

Market presence

Key to our success is achieving a certain level of market presence in the geographic locations we serve. Our target is to be among the top three service providers in each of our geographic locations and practice areas. With this level of market presence, we are less likely to be affected by downturns in regional economies. Top-three positioning also gives us increased opportunities to work for the best clients, obtain the best projects, and attract and retain the best employees in a region, which is important for building or maintaining the staff needed to generate consistent performance and to support regional company infrastructure.

Stantec has a clear strength in the Canadian market: currently, we are the second-largest consulting firm in Canada and enjoy top-tier positioning in a majority of our locations and practices. In addition to this market presence, we are now realizing on our growing position in the United States and have taken strong steps to better position ourselves as a national firm. This means that in the next five years, we anticipate tripling the size of our US operations, which will make us a top-tier design firm in North America.

Clients

Another performance driver is our ability to attract and retain top clients. For us, the best clients are those with whom we have long-term relationships and for whom we provide multiple services and complete large and innovative projects. Currently, a majority of our business comes through repeat clients, and our 10 largest clients account for about 10% of our revenue. Our focus is to expand the number of top clients we serve through an account management program designed to increase organic growth by building on relationships with existing clients, and to reflect a stronger balance between global/national and regional/local clients.

Types of clients

Attracting and retaining the best clients relies on providing bundled services over a long period of time. These clients have predictable, sustainable, and profitable revenue streams, and through cross-selling, these clients quickly see the value of not only our Company, but also our people. We believe one of the most powerful ways to

develop a unified culture is through design assignments for global/national clients that require collaboration and coordination across the Company. Some of our acquired firms have brought a client portfolio with them that is global/national in nature. These global/national clients, with programs extending throughout North America and beyond, position Stantec well in our efforts to reflect balance in our client base.

Account Management and Marketing & Business Development
Finding and retaining clients is a key component of our success, and to meet this goal, we develop targeted marketing and business development plans for our top clients. This activity is completed on a geographic and practice area unit basis to identify our top regional/local clients, and on a sector basis for our global/national clients. By strategically ensuring that a quality client base is being created through setting well-defined goals and related action plans, we are able to maintain a focus on both our regional/local and global/national clients. We also continue to expand our account management program to our top regional/local accounts and consider alternate funding strategies to cultivate growth of our global/national accounts.

Based on our success in these areas, we believe that we are well positioned to continue to be one of the principal providers of professional design and consulting services in our geographic regions.

People
Our most important performance driver is our people. Our success depends on having qualified people. To that end, we concentrate on enhancing our health, safety, and environment program (HSE) to best-in-class, improving employee retention, and aligning our internal communications strategy to improve the delivery of our strategic plan to employee and stakeholder audiences.

Employees
Employees create the project solutions we deliver to clients. Consequently, to achieve our goal of becoming and remaining a top 10 global design firm, we must increase our workforce through a combination of organic hiring and acquisitions. One way we measure our success in this area is by total staff numbers. In 2011, our employee numbers increased to approximately 11,100 from 10,700 in 2010. At December 31, 2011, our workforce was made up of about 6,400 professionals, 3,500 technical staff, and 1,200 support personnel.

To attract and retain qualified people, we offer opportunities to be part of “One Team,” working on challenging multidiscipline projects with some of the most talented people in our industry. We are continually strengthening and supporting our people-oriented culture. For example, during 2011, we continued to deliver face-to-face on-demand project management training sessions and invest in health and safety initiatives, such as education and training for supervisors in health and safety rights and responsibilities. In addition, we continued to roll out the leadership development program we launched in 2008 to leaders throughout our regions. Looking forward to 2012, we will continue to assess and develop our leaders at all levels, from our vice presidents to front-line supervisors.

As well, in 2011, revisions were made to our Career Development and Performance Review process to put a greater emphasis on career management, and we are now developing well-defined leadership, knowledge, and project management career streams to support entrepreneurship, innovation, and project execution. Each career path is distinct and requires different skill sets and knowledge that will allow our employees to take responsibility for managing their careers. Training, coaching, and mentoring will continue to be key components in focusing on building both today’s and tomorrow’s team.

We provide a comprehensive, competitive benefits program that attracts and retains the right talent to achieve our operating and strategic goals. We have created an award-winning wellness culture that provides tools and support to help employees and their families improve their health and well-being.

To measure our success in attracting and retaining staff, we use tools such as employee surveys, 360-degree feedback, and exit interviews. The results of these performance metrics help us develop programs and initiatives for improving and maintaining staff engagement. We also track turnover rates for our staff through our business information system.

Our diversified portfolio approach to business generally enables us to redeploy a portion of our workforce when faced with changes in local, regional, or national economies or practice area demand. Although there will always be some areas where it will be difficult to find appropriate staff during certain periods, as we increase in size we become better able to address these issues by using staff from other parts of the Company, either through temporary relocation or work sharing. We are continually improving our ability to work on projects from multiple locations through standardized practices and systems, project collaboration, and web-based technology.

Leadership

Our ability to align the activities of our senior managers with our short- and long-term financial and strategic goals is also an important driver for our success. To this end, in addition to fixed salaries, we provide, on a discretionary basis, short- and long-term compensation designed to reward our senior managers (including our chief financial and chief operating officers, regional operating unit leaders, and practice area unit leaders) for their individual and corporate contributions to meeting our objectives. The short-term compensation consists of an annual employee cash bonus. The total amount available in the annual employee bonus pool is calculated as a percentage of our annual pre-tax, pre-bonus net income, which we believe directly ties the interests of our bonus-eligible employees, including our senior managers, to our financial performance. In determining the awards each year, we balance the managers' overall contributions to our profitability Company-wide with the performance of their individual business unit, an approach that, in our view, creates a sense of shared responsibility for achieving outstanding business results and meeting our clients' needs. In 2011, we implemented a restricted share unit incentive plan for our senior vice presidents through which they are granted annually, as part of their bonus, an allotment of restricted share units that they receive after two years as cash equal to the units' market value. The market value of the units is based on the market value of our shares. We believe that this plan, by its nature, further invests our senior vice presidents in our longer term share performance.

As part of long-term compensation for our key staff, we grant options through our employee share option plan. In 2011, we improved our share option plan by tying the amount of share options available to be granted in a year to key performance metrics such as growth in earnings per share and net pre-tax, pre-bonus net income as a percentage of net revenue. Key staff may be granted options to purchase shares as part of their total compensation, which further aligns their interests with those of our shareholders and encourages them to stay employed with us over the long term. In making the decision to award options to an individual, our chief executive officer (CEO) and senior management team consider the individual's ability to contribute to our long-term success, along with other factors.

Similarly, our CEO's compensation package, which is governed by the terms of his employment agreement, includes a base salary; an annual bonus calculated as a percentage of our pre-tax, pre-bonus income; and a prescribed allotment of deferred share units. We require our CEO, senior vice presidents, chief operating officer, and chief financial officer to own a minimum number of shares, representing a specific percentage of their base salary, in the Company. We believe that deferred share units and minimum ownership requirements provide the appropriate incentives for our CEO to achieve a minimum growth rate in our share price, thereby aligning executive compensation with the interests of shareholders.

Since the results of our operations are dependent on the abilities and efforts of the members of our senior management team and other key personnel, our Corporate Governance and Compensation Committee and senior managers regularly review our succession planning measures for management.

RESULTS

Fourth Quarter Results

Our revenue growth in Q4 11 was solid compared to Q4 10. Gross revenue increased 12.6% to $432.0 million from $383.7 million, and our EBITDA increased 9.6% to $46.8 million from $42.7 million. Excluding the impact of a $90.0 million non-cash goodwill impairment charge, our net income increased 4.3% to $24.3 million from $23.3 million and our diluted earnings per share increased 3.9% to $0.53 from $0.51 when comparing Q4 11 to Q4 10 as further explained below.

The following table summarizes our key operating results for Q4 11 on a percentage of net revenue basis and the percentage increase in the dollar amount of these results compared to the same period last year:

	Quarter Ended December 31		% of Net Revenue		% Increase (Decrease)*	% Increase (Decrease)* without Goodwill Impairment
(In millions of Canadian dollars, except %)	**2011**	**2010**	**2011**	**2010**	**2011 vs. 2010**	**2011 vs. 2010**
Gross revenue **	**432.0**	383.7	**124.1%**	123.4%	12.6%	12.6%
Net revenue **	**348.2**	310.9	**100.0%**	100.0%	12.0%	12.0%
Direct payroll costs	**156.3**	133.4	**44.9%**	42.9%	17.2%	17.2%
Gross margin **	**191.9**	177.5	**55.1%**	57.1%	8.1%	8.1%
Administrative and marketing expenses	**144.4**	133.7	**41.5%**	43.0%	8.0%	8.0%
Depreciation of property and equipment	**7.4**	7.1	**2.1%**	2.3%	4.2%	4.2%
Impairment of goodwill	**90.0**	-	**25.8%**	0.0%	n/m	n/m
Amortization of intangible assets	**5.0**	5.2	**1.4%**	1.7%	(3.8%)	(3.8%)
Net interest expense	**2.2**	2.3	**0.6%**	0.7%	(4.3%)	(4.3%)
Other net finance expense	**0.7**	0.6	**0.3%**	0.2%	16.7%	16.7%
Share of income from associates	**(0.4)**	(0.4)	**(0.1%)**	(0.1%)	0.0%	0.0%
Foreign exchange loss	**0.4**	0.4	**0.1%**	0.1%	0.0%	0.0%
Other expense	**-**	0.5	**0.0%**	0.2%	(100.0%)	(100.0%)
Income (loss) before income taxes	**(57.8)**	28.1	**(16.6%)**	9.0%	(305.7%)	14.6%
Income taxes	**7.9**	4.8	**2.3%**	1.5%	64.6%	64.6%
Net (loss) income for the period	**(65.7)**	23.3	**(18.9%)**	7.5%	(382.0%)	4.3%

* *% increase (decrease) calculated based on the dollar change from the comparable period*

** *The terms gross and net revenue and gross margin are defined in the Definition of Additional IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.*

n/m = not meaningful

Gross Revenue *(In millions of Canadian dollars)*	**Q4 11 vs. Q4 10**
Increase in gross revenue due to:	
Acquisition growth	38.4
Organic growth	8.2
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	1.7
Total net increase in gross revenue	48.3

As indicated in the tables above, during Q4 11, our gross revenue increased by $48.3 million, or 12.6%, to $432.0 million compared to $383.7 million for the same period in 2010. Approximately $38.4 million of this increase resulted from an increase in revenue from acquisitions completed in 2011 and 2010, $8.2 million resulted from organic growth, and $1.7 million was due to foreign exchange. The foreign exchange impact was due to the weakening of the Canadian dollar in Q4 11. During Q4 11, the average exchange rate for the Canadian dollar relative to the US dollar was US$0.98 compared to US$0.99 during Q4 10.

The following table summarizes the change in gross revenue by practice area unit in the fourth quarter of 2011 compared to the same period in 2010.

Practice Area Unit Gross Revenue	**Quarter Ended December 31**					
(In millions of Canadian dollars)	**2011**	**2010**	**Total Change**	**Change Due to Acquisitions**	**Change Due to Organic Growth**	**Change Due to Foreign Exchange**
Buildings	98.8	84.5	14.3	20.2	(6.1)	0.2
Environment	156.7	150.2	6.5	1.2	4.5	0.8
Industrial	78.2	63.0	15.2	7.8	7.0	0.4
Transportation	48.4	47.3	1.1	1.8	(1.0)	0.3
Urban Land	49.9	38.7	11.2	7.4	3.8	-
Total Consulting Services	432.0	383.7	48.3	38.4	8.2	1.7

Note: Comparative figures have been restated due to a realignment of several practice components between our Buildings, Industrial, Transportation, and Urban Land practice area units.

Organic growth in Q4 11 was positive in all practice area units except for Buildings and a slight decline in Transportation. The Buildings decline was due to the softening markets in the United States, United Kingdom, and Dubai compared to the same period in 2010. The buildings industry experienced increased competition and reduced funding for private and public sector projects. Our organic growth in Q4 11 compared to Q4 10 was mainly due to growth in our Industrial practice area unit. Our Industrial practice had increased activity in the mining and oil and gas sectors, where we are experiencing growth in potash and where improved oil and gas prices are creating greater project opportunities.

Net income during Q4 11 was positively impacted by the increase in gross revenue and a reduction in our administrative and marketing expenses as a percentage of net revenue from 43.0% in Q4 10 to 41.5% in Q4 11. This decrease was primarily due to a decrease in administrative and marketing labor as a percentage of net revenue in Q4 11 compared to Q4 10. Staff time charged to marketing and administrative labor may fluctuate from quarter to quarter because it is influenced by the mix of projects in progress and being pursued during the period, as well as by acquisition integration activities. In Q4 10, we were in the process of integrating the eight acquisitions completed during the second half of 2010 compared to three in the second half of 2011. In the months following the completion of an acquisition, there is usually an increase in staff time charged to administration and marketing due to integration activities including the orientation of newly acquired staff. In addition, due to this increase in acquisition activity in the second half of 2010 compared to 2011, there were more restructuring costs expensed in Q4 10.

During the fourth quarter we conducted our annual goodwill impairment test. Market fluctuations caused our share price to decrease as at October 1, 2011, which adversely impacted our market capitalization. In addition, due to ongoing challenging economic conditions, the short-term performance of our US and International cash generating units (CGUs) was

weaker than expected. Considering these factors and their impact on the results of our goodwill impairment test, we concluded that, at October 1, 2011, goodwill was impaired as further described in Goodwill in the Results section below. As a result, net income during Q4 11 was negatively impacted by a $90.0 million non-cash goodwill impairment charge. In addition, our net income in Q4 11 was negatively impacted by a reduction in gross margin as a percentage of net revenue. Our gross margin percentage was 55.1% in Q4 11 compared to 57.1% in Q4 10. This decrease quarter over quarter was mainly due to a decrease in the gross margins for our Industrial and Buildings practice area units resulting from the mix of projects during the quarter, increased competition, and a softening of the buildings industry in the United States, United Kingdom, and Dubai. The nature of our business model, which is based on diversifying our operations across geographic regions, practice areas, and all phases of the infrastructure and facilities project life cycle, will continue to cause fluctuations in our gross margin percentage from period to period depending on the mix of projects during any quarter.

Overall Annual Performance

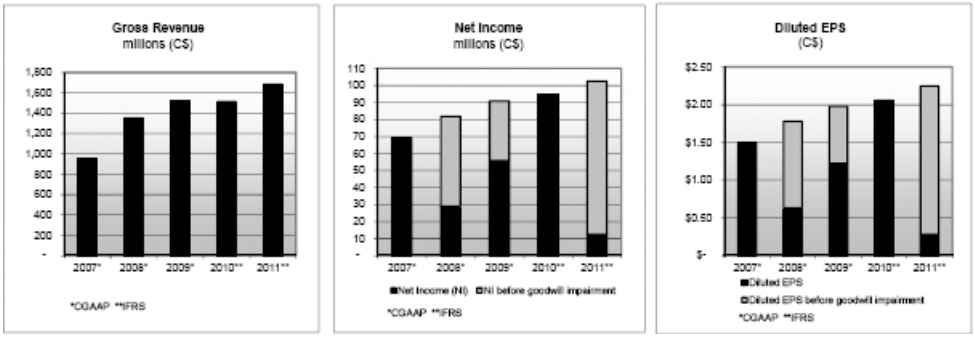
Highlights for 2011

(In millions of Canadian dollars, except per share amounts)	2011	2010	$ Change	% Change
Gross revenue	1,683.4	1,513.1	170.3	11.3%
Net revenue	1,378.5	1,226.0	152.5	12.4%
Net income *(note 1)*	12.7	94.7	(82.7)	(87.3%)
Earnings per share – basic *(note 1)*	0.28	2.07	(1.81)	(87.4%)
Earnings per share – diluted *(note 1)*	0.28	2.06	(1.80)	(87.4%)
EBITDA *(note 2)*	195.7	185.4	10.3	5.3%
Cash flows from operating activities	114.6	111.9	2.7	n/m
Cash flows used in investing activities	(99.4)	(128.2)	28.8	n/m
Cash flows from (used in) financing activities	(41.9)	65.9	(107.8)	n/m

n/m = not meaningful

note 1: Net income, basic earnings per share, and diluted earnings per share would have been $102.7 million, $2.25, and $2.25, respectively, without the $90 million goodwill impairment charge in 2011.

note 2: EBITDA is calculated as net income before income taxes plus net interest expense, amortization of intangible assets, depreciation of property and equipment, and goodwill and intangible impairment as further discussed in the Definition of Non-IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.



The following highlights our major financial achievements and strategic activities in 2011, as well as other factors that contributed to our financial performance and overall financial condition:

- **Continued growth and profitability.** The end of 2011 marked 58 years of uninterrupted profitability for our Company. In 2011, we achieved an 11.3% increase in gross revenue, a 12.4% increase in net revenue, and a 5.3% increase in EBITDA compared to 2010.

  In the fourth quarter of 2011, we conducted our annual goodwill impairment test. Market fluctuations caused our share price to decrease as at October 1, 2011, which adversely impacted our market capitalization. In addition, due to ongoing challenging economic conditions, the short-term performance of our US and International CGUs was weaker than expected. Considering these factors and their impact on the results of our goodwill impairment test, we concluded goodwill was impaired at October 1, 2011, and recorded a $90.0 million charge to income. The impairment charge decreased our diluted earnings per share by $1.97. The goodwill impairment charge is non-cash in nature and did not affect our liquidity, cash flows from operating activities, or compliance with our debt covenants and does not impact the operations of our business.

  Excluding the impact of the goodwill impairment charge, our net income for 2011 would have been $102.7 million compared to $94.7 million in 2010. Our diluted earnings per share for 2011 would have been $2.25 compared to $2.06 in 2010. Our net income increase year over year was due to an 11.3% increase in gross revenue and a decrease in our administrative and marketing expenses as a percentage of net revenue from 41.7% to 41.0% due to less acquisition-related costs in the year. This was partially offset by a decrease in our gross margin from 56.1% to 55.4% due to the mixture of projects during the year, increased competition in our buildings and industrial markets, and continued softening of the United States, United Kingdom, and Dubai buildings industries. Excluding the impact of the goodwill impairment charge, our net income as a percentage of net revenue would have been 7.4% in 2011 compared to 7.7% in 2010, which demonstrates the relatively consistent performance of our operations despite the competitive market and challenging economic environment in 2011.

- **Ongoing ability to adapt to challenging economic conditions.** Our 2011 operating results were solid compared to our 2010 results, which we believe demonstrates our ability to adapt our business model to changing market conditions. Even with the slow recovery in Canada and the United States, we achieved organic revenue growth in Canada and internationally and growth through acquisitions in all our regions. We achieved positive organic revenue growth in our Industrial, Transportation, and Urban Land practice area units and acquisition growth in all our practice area units. Despite continued economic challenges, we believe that our continued focus on executing our business strategy in 2011 allowed us to achieve consistent results for our shareholders, clients, and employees.

- **Growth through acquisitions.** Acquisitions completed in 2010 and 2011 contributed $183.2 million to the net increase in our gross revenue year over year. We completed five acquisitions in 2011.

- **Dividend policy.** Subsequent to the year-end, on February 15, 2012, Stantec's board of directors approved a dividend policy and concurrently declared its first quarterly dividend of $0.15 per share, payable on April 17, 2012, to shareholders of record on March 30, 2012. The declaration of this dividend reflects the confidence of our board of directors and management in our ability to generate ongoing cash flow from operations, continue to grow revenue, and complete strategic acquisitions while providing enhanced shareholder returns.

- **Strong balance sheet and liquidity.** Our balance sheet remains solid. In 2011, our operating cash flows increased from $111.9 million in 2010 to $114.6 million in 2011. During the year, we extended the maturity date of our existing $350 million revolving credit facility to August 31, 2015. At December 31, 2011, $259.5 million of our revolving credit facility was available for future acquisitions, working capital needs, and general corporate purposes. To allow additional flexibility, in 2011, we issued $70.0 million of 4.332% senior secured notes due May 10, 2016, and $55.0 million of 4.757% senior secured notes due May 10, 2018.
- **Created an international region.** With the addition of Anshen & Allen Architecture, Inc. and Burt Hill, Inc. in 2010, we expanded our international footprint to office locations in India, the United Kingdom, and the United Arab Emirates. As a result, we reorganized our management structure and created a new International region.
- **Leadership succession.** As part of our continuing, strong succession plan, during 2011, Mr. Aram H. Keith succeeded Ron Triffo as chair of the Stantec Board of Directors. Mr. Keith has been a board member since 2005. He cofounded The Keith Companies, Inc. in 1983 and served as its chief executive officer and as a board member until its acquisition by Stantec in 2005. Mr. Keith received a bachelor of science degree in civil engineering from California State University at Fresno. Now retired, he serves on several nonprofit boards and is very active in various philanthropic endeavors.

  In addition, during 2011, Mr. Doug Ammerman and Dr. Delores Etter were appointed to Stantec's Board of Directors. Mr. Ammerman brings nearly 40 years of fiscal and organizational leadership experience, including 30 years with KPMG where he served as a partner. Dr. Etter brings more than 35 years of technical leadership in both the academic and government sectors and in electrical and software engineering, including a tenure serving as the assistant secretary of the Navy for Research, Development, and Acquisition.
- **Conversion to IFRS:** We successfully completed the conversion of our financial processes and results to IFRS. Our 2011 audited consolidated financial statements have been prepared under IFRS along with our comparative figures as further discussed on pages M-51 to M-58 in this report.

Results Compared to 2011 Targets

In our 2010 Management's Discussion and Analysis, we established various ranges of expected performance for 2011.

The following table presents the results we achieved in 2011:

Measure	2011 Expected Range	Results Achieved		Results before Goodwill Impairment	
Gross margin as % of net revenue	Between 54.5 and 56.5%	55.4%	ü	55.4%	ü
Administrative and marketing expenses as % of net revenue	Between 41 and 43%	41.0%	ü	41.0%	ü
Net income as % of net revenue	At or above 6%	0.9%	x	7.4%	ü
Effective income tax rate	At or below 28.5%	74.5%	x	26.5%	ü
Return on equity *(note 1)*	At or above 14%	1.9%	x	15.5%	ü
Net debt to equity ratio *(note 2)*	At or below 0.5 to 1	0.41	ü	0.36	ü

note 1: Return on equity is calculated as net income for the last four quarters divided by average shareholders' equity over each of these quarters.

note 2: Net debt to equity ratio is calculated as long-term debt plus current portion of long-term debt and bank indebtedness less cash and short-term deposits, all divided by shareholders' equity.

Return on equity and net debt to equity ratio are defined in the Definition of Non-IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this Management's Discussion and Analysis.

ü *Met our target*

x Did not meet target

In 2011, we met our targets, with the exception of income as a percentage of net revenue, effective income tax rate, and return on equity. Excluding the impact of the goodwill impairment charge referred to above, we would have met or exceeded all our targets.

Acquisitions

Consideration for acquisitions completed in 2011 was $62.5 million and $119.1 million in 2010. In 2011, we completed the following acquisitions:

- On February 11, 2011, we acquired the shares and business of QuadraTec, Inc. (QuadraTec), which added approximately 50 staff to our Company. With offices in Newfoundland and Labrador, QuadraTec provides mechanical, electrical, industrial, and communications engineering; energy management; design studies; and contract management services. The addition of QuadraTec's services augments our existing environmental and geotechnical consulting practice in St. John's and positions us to provide a more diverse range of consulting services throughout Newfoundland and Labrador.
- On May 27, 2011, we acquired the shares and business of the Caltech Group (Caltech), which added approximately 200 staff to our Company. Headquartered in Calgary, Alberta, Caltech provides multidisciplinary engineering, procurement, and construction management services. The addition of Caltech's services augments our existing oil and gas and power business throughout North America and well positions us to provide a more diverse range of consulting services in two growing markets. Caltech has extensive experience in the design of utility, electrical asset, and telecom facilities, which includes a wide range of client planning, engineering, consulting, and development services.
- On September 2, 2011, we acquired all the shares and business of Bonestroo, Inc. and Bonestroo Services, LLC (Bonestroo), which added approximately 275 staff to our Company. Bonestroo is an engineering, planning, and environmental science firm with offices in Minnesota, Wisconsin, Illinois, Michigan, and North Dakota. The addition of Bonestroo enhances and augments our expertise with their specialty services in infrastructure planning, streets and utilities, water supply, water storage, water distribution, brownfield redevelopment, environmental planning, environmental management, environmental compliance, transportation engineering, traffic engineering, bridge design, water resources management, ice design, aquatics design, athletic fields, and sports courts design.
- On October 1, 2011, we acquired all the shares and business of FSC Architects and Engineers (FSC), which added approximately 85 staff to our Company. FSC is an integrated architecture and engineering firm specializing in cold climate and remote location projects. The firm has offices in Yellowknife, Northwest Territories; Whitehorse, Yukon; Iqaluit, Nunavut; and Edmonton, Alberta. FSC is active in many sectors including airports, education, emergency services, healthcare, residential, and sports and leisure, and, therefore, primarily augments our Buildings practice area unit, with additional services in Transportation and Environment.

- On October 28, 2011, we acquired all the shares and business of ENTRAN, Inc. (ENTRAN), which added approximately 115 staff to our Company. The acquisition of ENTRAN augments our Transportation practice area unit. ENTRAN has offices in Lexington, Kentucky; Louisville, Kentucky; Cincinnati, Ohio; Chicago, Illinois; Nashville, Tennessee; and Charleston, West Virginia. ENTRAN specializes in roadway and bridge design, transportation planning and traffic engineering, construction engineering services, and aviation services.

During the year, we successfully completed the migration of these acquisitions to our financial enterprise systems.

Selected Annual Information

The following highlights trending of certain annual information:

(In millions of Canadian dollars, except per share and share amounts)	**IFRS 2011**	**IFRS* 2010**	**(CGAAP**) 2009**
Gross revenue *(note 1)*	1,683.4	1,513.1	1,519.9
Net income *(note 2)*	12.7	94.7	55.9
Earnings per share – basic *(note 2)*	0.28	2.07	1.23
Earnings per share – diluted *(note 2)*	0.28	2.06	1.22
Cash dividends declared per common share	Nil	Nil	Nil
Total assets	1,327.4	1,337.4	1,123.5
Total long-term debt	296.2	322.0	234.2
Outstanding common shares – as at December 31	45,523,585	45,768,320	45,716,820
Outstanding common shares – as at February 23, 2012	45,528,585		
Outstanding share options – as at December 31	1,578,300	1,480,831	1,752,298
Outstanding share options – as at February 23, 2012	1,570,800		

note 1: The term gross revenue is defined in the Definition of Additional IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this Management's Discussion and Analysis.

note 2: Net income, basic earnings per share, and diluted earnings per share would have been $102.7 million, $2.25, and $2.25, respectively, without the $90 million goodwill impairment charge in 2011.

* *Restated for IFRS*

** *These numbers are not restated for compliance with IFRS but are reported under Canadian GAAP (CGAAP) effective in the year concerned.*

The 5 acquisitions completed in 2011 and the 10 acquisitions completed in 2010 contributed to our year-over-year growth in gross revenue from 2010 to 2011 and the growth—prior to the goodwill impairment charge—in net income, as well as in basic and diluted earnings per share. Our 2011 net income and diluted earnings per share were also positively impacted by a decrease in our administrative and marketing expenses as a percentage of net revenue due to less acquisition-related costs in the year compared to 2010. This was partially offset by a decrease in our gross margin from 56.1% in 2010 to 55.4% in 2011 due to the mixture of projects during the year, increased competitiveness in our buildings and industrial markets, and continued softening of the United States, United Kingdom, and Dubai buildings industries.

Our 2010 gross revenue remained stable compared to 2009 despite the challenging economic environment. Gross revenue was positively impacted by the 10 acquisitions completed in 2010 and 2 completed in 2009. This was offset by an organic retraction in gross revenue in our Environment and Industrial practice area units in 2010 compared to 2009. This retraction was mainly due to the general economic slowdown in 2009, especially in the United States, resulting in lower backlog and decreased project opportunities in 2010 and the start-up of environmental projects in 2010 being slower and more cautious than anticipated. Our net income and diluted earnings per share increased from 2009 to 2010 mainly because of our focus on managing our costs and

operating effectively in 2010, as well as fewer one-time costs such as severance payments and other costs associated with the downsizing of our operations compared to 2009. In addition, in 2010 our net income and diluted earnings per share were positively impacted by a $5.9 million after-tax gain on the sale of our 30% equity investments in Fugro Jacques Geosurveys Inc. and Fugro Jacques N.V.

Balance Sheet

Our total assets decreased by $10.0 million from 2010 to 2011. This decrease was mainly due to a $39.2 million decrease in goodwill. Goodwill decreased as the result of the $90.0 million impairment charge in the fourth quarter, offset by a $43.6 million increase from acquisitions in the year and a $7.1 million impact from foreign exchange. In addition, our total assets decreased due to a $26.6 million decrease in cash and short-term deposits since cash was being held at December 31, 2010, for the payment of notes from acquisitions that were paid in early January 2011 and a $5.8 million decrease in property and equipment mainly due to depreciation. These decreases to our total assets were partially offset by a $44.1 million increase in trade and other receivables and unbilled revenue mainly due to the timing of milestone billings and increased operating and acquisition activity, and an $8.4 million increase in other financial assets principally from an increase in investments held for self-insured liabilities. As well, there was a $4.5 million increase in income taxes recoverable, a $3.2 million increase in prepaid expenses, and a $2.7 million increase in deferred tax assets due to normal business activity. The carrying value of the assets and liabilities of our US subsidiaries on our consolidated statements of financial position was positively impacted by the weakening of the Canadian dollar from US$1.01 at December 31, 2010, to US$0.98 at December 31, 2011.

Our total assets increased by $213.9 million from 2009 to 2010. This increase was primarily due to a $48.0 million increase in cash and term deposits, a $48.0 million increase in trade and other receivables and unbilled revenue, and a $79.4 million increase in goodwill primarily as a result of growth from acquisitions. Cash and term deposits increased by $48.0 million because cash was being held for the payment of notes from acquisitions that were payable in early January 2011. These increases were partially offset by the carrying value of the assets and liabilities of our US subsidiaries on our consolidated statements of financial position being negatively impacted by the strengthening of the Canadian dollar from US$0.95 at December 31, 2009, to US$1.01 at December 31, 2010.

Our total liabilities decreased $21.5 million from 2010 to 2011 primarily due to a $17.1 million decrease in our long-term borrowings and an $8.7 million decrease in notes payable due to the notes from acquisitions paid during the year. In addition, our billings in excess of costs decreased by $7.3 million due to the timing of billings, income taxes payable decreased by $4.6 million due to the payment of income taxes payable assumed from acquisitions, and other financial liabilities decreased by $7.9 million mainly because of the payment of contingent consideration from past acquisitions. These decreases were partially offset by a $5.6 million increase in trade and other payables because of higher payroll accruals from an increase in staff numbers, a $6.8 million increase in deferred tax liabilities, a $2.0 million increase in provisions, and a $9.7 million increase in other liabilities due to an increase in lease inducement benefits and lease disadvantages assumed from acquisitions and to the introduction of restricted share units in 2011. Our total liabilities also increased due to the weakening of the Canadian dollar from December 31, 2010, as explained above.

Our total liabilities increased by $145.7 million from 2009 to 2010 primarily as a result of an $85.6 million increase in our revolving credit facility from $134.6 million to $220.2 million at December 31, 2010, due to additional borrowings for the 10 acquisitions completed in 2010 and compared to the 2 completed in 2009. In addition, our trade and other payables increased $19.1 million primarily due to higher payroll costs from an increase in staff numbers and trade and other payables assumed from acquired companies. Billings in excess of costs increased $4.7 million and income taxes payable increased by $4.6 million due to tax liabilities assumed from acquired companies. Our total liabilities also decreased due to the strengthening of the Canadian dollar from December 31, 2009, as explained above.

Discussion of Operations

Our Company operates in one reportable segment—Consulting Services. We provide knowledge-based solutions for infrastructure and facilities projects through value-added professional services principally under fee-for-service agreements with clients.

The following table summarizes our key operating results on a percentage of net revenue basis and the percentage increase in the dollar amount of these results from year to year:

	Percentage of Net Revenue with Goodwill Impairment		Percentage Increase (Decrease) *	Percentage Increase (Decrease) without Goodwill Impairment *
	2011	2010	2011 vs. 2010	2011 vs. 2010
Gross revenue	122.1%	123.4%	11.3%	11.3%
Net revenue	100.0%	100.0%	12.4%	12.4%
Direct payroll costs	44.6%	43.9%	14.4%	14.4%
Gross margin	55.4%	56.1%	10.9%	10.9%
Administrative and marketing expenses	41.0%	41.7%	10.7%	10.7%
Depreciation of property and equipment	2.0%	2.1%	9.4%	9.4%
Impairment of goodwill	6.5%	0.0%	n/m	n/m
Amortization of intangible assets	1.3%	1.4%	6.4%	6.4%
Net interest expense	0.7%	0.6%	22.8%	22.8%
Other net finance expense (income)	0.3%	(0.1%)	n/m	n/m
Share of income from associates	0.0%	(0.2%)	(65.2%)	(65.2%)
Gain on sale of equity investments	0.0%	(0.6%)	(100.0%)	(100.0%)
Foreign exchange loss (gain)	0.0%	0.1%	(50.0%)	(50.0%)
Other (income) expense	(0.0%)	0.1%	(100.0%)	(100.0%)
Income before income taxes *(note 1)*	3.6%	11.0%	(63.1%)	3.6%
Income taxes	2.7%	3.3%	(7.7%)	(7.7%)
Net income *(note 1)*	0.9%	7.7%	(86.6%)	8.4%

* % increase calculated based on the dollar change from the comparable period

n/m = not meaningful

note 1: Net income before income taxes as a percentage of net revenue and net income as a percentage of net revenue would have been 10.1% and 7.4%, respectively, without the $90 million goodwill impairment charge in 2011.

Our gross revenue grew 11.3% and net revenue grew 12.4% in 2011 as compared to 2010. These increases were mainly due to acquisition growth in all our practice area units and organic growth in our Industrial, Transportation, and Urban Land practice area units as further explained in the Gross and Net Revenue section below. Excluding the impact of the goodwill impairment charge, our net income for 2011 increased by 8.4%. In 2011, administrative and marketing expenses, depreciation of property and equipment, and amortization of intangibles, as a percentage of net revenue, decreased compared to 2010 as further explained in their respective sections of this report.

Gross and Net Revenue

For definitions of gross and net revenue, refer to the Definition of Additional IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this discussion and analysis. Revenue earned by acquired companies in the first 12 months following acquisition is reported as revenue from acquisitions and, thereafter, as organic growth.

All our practice area units generate a portion of their gross revenue in the United States. The value of the Canadian dollar averaged US$1.01 in 2011 compared to US$0.97 in 2010, representing a 4.1% increase. The strengthening of the Canadian dollar had a negative effect on the revenue reported in 2011 compared to 2010.

The following table summarizes the impact of acquisitions, organic growth, and foreign exchange on our gross and net revenue for 2011 compared to 2010.

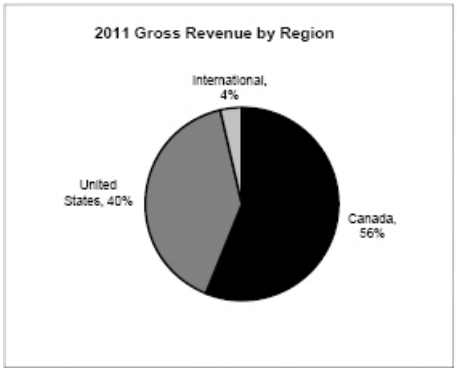
Gross Revenue

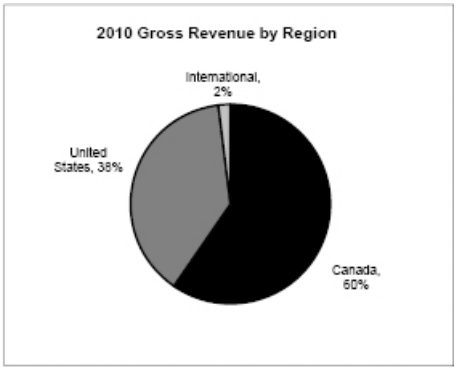
(In millions of Canadian dollars)	**2011 vs. 2010**
Increase (decrease) due to:	
Acquisition growth	183.2
Organic growth	9.7
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(22.6)
Total net increase in gross revenue	170.3

Net Revenue

(In millions of Canadian dollars)	**2011 vs. 2010**
Increase (decrease) due to:	
Acquisition growth	146.9
Organic growth	23.0
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(17.4)
Total net increase in net revenue	152.5

The net increase in gross revenue was $170.3 million for 2011 over 2010 due to a $183.2 increase in acquisition growth and a $9.7 million increase in organic growth, offset by a $22.6 million impact of foreign exchange. The increase in net revenue was $152.5 million for 2011 over 2010 due to a $146.9 million increase in acquisition growth and a $23.0 million increase in organic growth, offset by a $17.4 million impact of foreign exchange. The increase in acquisition gross and net revenue in 2011 compared to 2010 was due to the revenue earned in 2011 attributed to the acquisitions listed in the Revenue by Region and Revenue by Practice Area Unit sections below.





The following table summarizes the growth in gross revenue by region for 2011 compared to 2010:

Gross Revenue by Region

(in millions of Canadian dollars)	**Year Ended Dec 31, 2011**	**Year Ended Dec 31, 2010**	**Total Change**	**Change Due to Acquisitions**	**Change Due to Organic Growth**	**Change Due to Foreign Exchange**
Canada	945.3	901.9	43.4	29.5	13.9	n/a
United States	679.3	581.8	97.5	126.1	(6.0)	(22.6)
International	58.8	29.4	29.4	27.6	1.8	-
Total	1,683.4	1,513.1	170.3	183.2	9.7	(22.6)

Revenue in all regions was positively impacted by the acquisitions completed in 2010 and 2011, offset by a negative impact due to the slower than anticipated economic recovery in the United States and the strengthening of the Canadian dollar against the US dollar in 2011 compared to 2010.

The following lists the acquisitions completed in 2010 and 2011 that impacted specific regions, year to date:

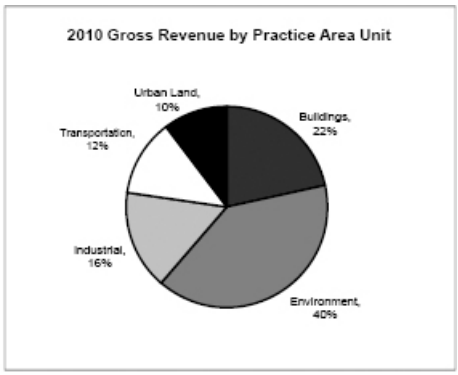
- **Canada:** Project Control Group Inc. (PCGI) (March 2010); Tetr*ES* Consultants Inc. (Tetr*ES*) (April 2010); QuadraTec, Inc. (QuadraTec) (February 2011); the Caltech Group (Caltech) (May 2011); and FSC Architects and Engineers (FSC) (October 2011)
- **United States:** IEA Holdings, Inc. (IEA) (July 2010); WilsonMiller, Inc. (WilsonMiller) (July 2010); Natural Resources Consulting, Inc. (NRC) (July 2010); Communication Arts, Inc. (CommArts) (August 2010); Anshen & Allen Architecture, Inc. (Anshen + Allen) (September 2010); ECO:LOGIC Engineering (ECO:LOGIC) (September 2010); Street Smarts, Inc. and Data Smarts, LLC (Street Smarts) (October 2010); Burt Hill, Inc. (Burt Hill) (December 2010); Bonestroo, Inc. and Bonestroo Services, LLC (Bonestroo) (September 2011); and ENTRAN, Inc. (October 2011)
- **International:** IEA (July 2010); Anshen + Allen (September 2010); WilsonMiller (July 2010); and Burt Hill (December 2010)

Canada. Gross revenue in our Canadian operations increased by 4.8% in 2011 compared to 2010. Of the $43.4 million increase, $29.5 million was due to acquisitions, and $13.9 million was due to organic growth. The 1.5% organic growth was mainly due to increased activity in the oil and gas and mining sectors. Our outlook for our Canadian operations in 2012 is moderate growth compared to 2011 as described in the Outlook section below.

United States. Gross revenue in our US operations increased by 16.8% in 2011 compared to 2010. Of the $97.5 million increase, $126.1 million was due to acquisitions, offset by a $6.0 million retraction in organic revenue and a $22.6 million decline due to the impact of foreign exchange. The 1.0% retraction in organic growth in the United States for fiscal year 2011 was due to the slower than anticipated recovery of the US economy. Our outlook for our United States operations in 2012 is stable as described in the Outlook section below.

International. Gross revenue in our international operations grew by 100.0% in 2011 compared to 2010. Of the $29.4 million increase, $27.6 million was due to acquisition growth, and $1.8 million to organic growth. The 6.1% organic growth was mainly due to increased activity in the mining sector. Our outlook for our International operations in 2012 is stable to moderate growth as described in the Outlook section below.





The following table summarizes our gross revenue by practice area unit for 2011 compared to 2010:

Practice Area Unit Gross Revenue

(In millions of Canadian dollars, except %)	**2011**	**% of Consulting Services Gross Revenue**	**2010**	**% of Consulting Services Gross Revenue**	**% Change in Gross Revenue 2011 vs. 2010**
Buildings	414.7	24.6%	326.1	21.6%	27.2%
Environment	604.8	35.9%	601.9	39.8%	0.5%
Industrial	287.2	17.1%	241.3	15.9%	19.0%
Transportation	197.8	11.8%	187.7	12.4%	5.4%
Urban Land	178.9	10.6%	156.1	10.3%	14.6%
Total	1,683.4	100.0%	1,513.1	100.0%	11.3%

Note: Comparative figures have been restated due to a realignment of several practice components between our Buildings, Industrial, Transportation, and Urban Land practice area units.

As indicated above, our gross revenue was impacted by acquisitions, net organic growth, and the effect of foreign exchange rates on revenue earned by our foreign subsidiaries. The impact of these factors on gross revenue earned by practice area unit is summarized as follows:

Practice Area Unit Gross Revenue

(In millions of Canadian dollars)	2011 Compared to 2010			
	Total Change	**Change Due to Acquisitions**	**Change Due to Organic Growth**	**Change Due to Foreign Exchange**
Buildings	88.6	112.7	(21.3)	(2.8)
Environment	2.9	21.2	(7.4)	(10.9)
Industrial	45.9	20.8	27.3	(2.2)
Transportation	10.1	10.4	4.2	(4.5)
Urban Land	22.8	18.1	6.9	(2.2)
Total	170.3	183.2	9.7	(22.6)

Note: Comparative figures have been restated due to a realignment of several practice components between our Buildings, Industrial, Transportation, and Urban Land practice area units.

The following summarizes the acquisitions completed in 2011 and 2010 that affected the acquisition growth of each of our practice area units during the year:

- **Buildings**: CommArts (August 2010); Anshen + Allen (September 2010); Burt Hill (December 2010); QuadraTec (February 2011); and FSC (October 2011)
- **Environment**: Tetr*ES* (April 2010); WilsonMiller (July 2010); NRC (July 2010); ECO:LOGIC (September 2010); and Bonestroo (September 2011)
- **Industrial**: PCGI (March 2010); IEA (July 2010); and Caltech (May 2011)
- **Transportation**: WilsonMiller (July 2010); Street Smarts (October 2010); and ENTRAN, Inc. (October 2011)
- **Urban Land**: WilsonMiller (July 2010) and Bonestroo (September 2011)

Buildings. Gross revenue for our Buildings practice area unit increased by 27.2% from 2010 to 2011. Of the $88.6 million increase, $112.7 million was due to acquisitions, offset by a $21.3 million decline in organic growth and a $2.8 million impact of foreign exchange. Organic revenue retracted due to softening markets in the United States, United Kingdom, and Dubai markets; however, we continued to secure steady work in Canada and India.

The buildings industry in general has experienced increased competition and reduced funding for private and public sector projects. Nevertheless, despite the softening of the market, in 2011, we continued to secure projects in our key market sectors, which are healthcare/hospitals, education, commercial/retail, and airports. For example, in 2011 we were selected by the Government of Alberta to design a new $90 million healthcare center in High Prairie, Alberta. We were awarded this multidisciplinary project due to our recognized expertise in the design of healthcare facilities. Notwithstanding the slow recovery in the US economy, we were selected as part of a project team to provide consulting services for a complex, multidisciplinary project to redesign and repurpose a group of buildings for the Sacramento Municipal Utilities District in Sacramento, California. Looking beyond North America, we were selected to design the new Santiago Chile International Airport Terminal, winning this prestigious commission against global competition. Furthermore, we experienced notable success in securing projects in support of retailer Target's entrance into the Canadian market, and our global reputation and expanded geographic presence enabled us to secure significant P3 projects, including 13 schools in Alberta that are being delivered as a P3 package.

In 2011, we acquired FSC, the leading architectural and engineering firm in Northern Canada, giving us a dominant position in this rapidly growing region. Also, during the year we integrated the North American

operations of Anshen + Allen and Burt Hill. The addition of these firms has significantly expanded our opportunities and, amongst other successes, resulted in us being selected for such projects as the design of a new 50,000-square-foot (4,645-square-metre) research facility at Carnegie Mellon University in Pittsburgh, Pennsylvania, that will include a new cleanroom facility with associated labs for materials characterization, biotechnology, and energy research.

We believe that the outlook for our Buildings practice area unit is stable for 2012. Our Buildings practice is ranked amongst the top building design practices in the industry and is well positioned to secure significant project opportunities in 2012, despite the overall uncertainty of the North American and global economy. Our combination of global expertise and local strength is in demand by major clients in our key market sectors. Our expanded geographic presence will enable us to continue to pursue a broad range of North American and international opportunities and we are well positioned to secure P3 opportunities, which continue to emerge in Canada, and which we believe are poised to emerge in the United States.

Environment. Gross revenue for our Environment practice area unit increased by 0.5% from 2010 to 2011. Of the $2.9 million increase, $21.2 million was due to acquisitions, offset by $7.4 million decline in organic growth and a $10.9 million impact of foreign exchange. The decline in organic growth year over year was in part due to a reduction in pass-through subconsultant costs during the first half of the year and to the reduction or postponement of work resulting from several high-profile industrial spills in 2010.

In 2011, the above factors were partially offset by a recovery in the mining, power, and oil and gas sectors. High oil prices encouraged increased activity in large-scale projects in the Canadian oil and gas sector and in shale gas development in the United States and Canada. For example, our Environmental Services group continued to strategically position our oil and gas services to win more front-end environmental assessment and compliance services. For instance, we are providing a variety of environmental compliance and regulatory support services to Talisman Energy in support of their oil and unconventional gas development efforts. Our services involve the development of a groundwater protection program, waste management program, and prevention and preparedness plans for Talisman's sites in Pennsylvania, New York, and Texas. We also provided environmental compliance and regulatory support services to SWN Resources Canada, Inc. in support of their shale gas seismic exploration phase in Southern New Brunswick. Through cross-selling activities with our Industrial practice area unit, we are leading the preparation of the environmental assessment for the Mount Klappan Anthracite Coal Project in northwestern British Columbia. The team working on this project includes atmospheric, terrestrial, aquatic, human environment, Aboriginal engagement, and geomatics specialists. In 2011, our Environmental Services group also provided environmental assessment and permitting in support of several electrical transmission and distribution projects. For example, our AltaLink portfolio of work continues to be strong, with numerous electrical transmission projects assessed and permitted in Alberta.

In the water sector, new investment was relatively flat as municipalities dealt with budget constraints. However, there was still investment in existing facilities due to regulatory requirements and consent decrees that require water and sewage treatment plants to be upgraded and combined sewer overflow programs to continue. For example, we were awarded a project to provide conceptual, preliminary, and detailed design, construction, and post-construction services for the City of Winnipeg's North End Water Pollution Control Center facilities rehabilitation in Winnipeg, Manitoba. Also, during 2011, we were awarded a project for wastewater facilities upgrades and expansion at Donner Summit Public Utility District in California. We continued to expand our water service offerings into other industrial water activities such as tailings pond treatment, flood control, water reuse, and water resource management projects. In 2011, the Environment practice area unit, as part of a multidisciplinary team, continued to work on more than 70 assignments related to facility assessments at 11 power plants in Tennessee, Kentucky, and Alabama for the Tennessee Valley Authority.

We believe that the outlook for our Environment practice area unit is stable to moderate organic growth in 2012. We expect to leverage our relationships with large clients to further expand into new geographic locations and service offerings. We believe that we are well positioned to secure opportunities resulting from a more stringent regulatory environment in the water sector. Regulatory requirements, which largely drive environmental spending by our energy sector clients, are also expected to increase. We also plan to continue focusing on cross-selling opportunities, mainly with our Industrial practice area unit in the oil and gas sector.

Industrial. Gross revenue for our Industrial practice area unit increased by 19.0% from 2010 to 2011. Of the $45.9 million increase in gross revenue in 2011, $20.8 million was due to acquisitions, and $27.3 million was due to organic growth, offset by a $2.2 million foreign exchange impact. The strong organic growth was mainly due to an increase in project activity, in particular in the mining and oil and gas sectors, which resulted in continued increases in staff levels and backlog. In the mining sector we experienced strong growth in potash, expanded our role and scope beyond our normal focus area of underground and related services, and continued to secure significant projects with the top global mining companies in the world. For example, during 2011, we continued our work on BHP Billiton's Jansen potash mine project in Saskatchewan. Commodity prices, a key driver for this practice area unit, remained strong and spurred the capital spending plans of our private sector clients. A continuation of relatively high oil prices led to additional projects in the oil and gas sector as our clients are adding capacity for storage and distribution. For example, in 2011 we secured a significant new client—Inter Pipeline Fund—which resulted in work on the Polaris pipeline expansions and Cold Lake system projects in Alberta.

During 2011, our Industrial practice area unit continued to work on renewable energy projects, including wind power, solar power, smart grid initiatives, clean coal, and landfill gas combustion. During the year we provided engineering design services on the Berlin Power Biomass project in Berlin, New Hampshire. The Berlin biomass-energy project is expected to be one of the largest and most environmentally sound biomass-energy facilities in the United States. Our Industrial Buildings & Facilities practice area is also growing as large transport and equipment dealers, manufacturers, and servicing companies, public and private, are renewing or building facilities. Our Program & Project Management practice area is gaining momentum in the healthcare sector in the United States, especially in New York, Philadelphia, and the Carolinas.

We believe that the outlook for our Industrial practice area unit is moderate organic growth in 2012. Commodity prices are expected to remain strong, which we believe will encourage further capital spending by our private sector clients. We expect continued robust activity in the mining and oil and gas sectors, supported by our continued growth in other industrial sectors. We expect that our strong relationships with large global industrial clients will contribute to our further growth.

Transportation. Gross revenue for our Transportation practice area unit increased by 5.4% from 2010 to 2011. Of the $10.1 million increase in gross revenue in 2011, $10.4 million was due to acquisitions, and $4.2 million was due to organic growth, offset by a $4.5 million foreign exchange impact. The organic growth was the result of a steady supply of new projects during the year, in particular from a stable stream of projects in Canada and the United States, including roadway rehabilitation and ongoing bridge inspection projects, as well as a wide range of new and upgrade projects in the rail and transit sectors.

In 2011, we continued to secure projects with repeat clients due to our strong relationships and past performance. For example, we secured a long-term project with the US Department of Transportation to provide the Federal Highway Administration with technical services in the US and Canada. This project supports the development and maintenance of the long-term pavement performance program studies established under the Strategic Highway Research Program. In addition, we secured a significant project with a new client in the construction management arena—the Orange County Transportation Authority— for the construction of the Orangethorpe Avenue railroad grade separation. In 2011, we also continued to work on several large P3 projects in Canada. We continue to

seek further opportunities in the Canadian P3 market and see increased activities in the US design-build market as our design focus makes us a strong partner for our clients in this sector.

During the second quarter of 2011, the Safe, Accountable, Flexible, Efficient, Transportation Equity Act—A Legacy for Users (SAFETEA-LU) was extended for an additional six months, until March 31, 2012. This extension is expected to sustain the United States federal highway and transit spending at current levels. However, the lack of a long-term federal funding strategy is still holding back larger projects. The smaller, shorter-term, and maintenance-type projects are proceeding, although competition for these projects has increased. Nonetheless, we are well positioned to secure these smaller projects due to our relationships with municipal and local clients. For example, we were recently selected by the North Carolina Department of Transportation to conduct planning and engineering services to support pedestrian planning throughout the state.

We believe that the outlook for our Transportation practice area unit is stable to moderate organic growth for 2012. We expect our rail and transit groups to maintain their current activity levels during 2012. However, we remain cautious as decreasing tax revenues, efforts to reduce state and provincial deficits, and continued uncertainty in long-term funding may continue to cause delays in some planned transportation projects.

Urban Land. Gross revenue for our Urban Land practice area unit increased by 14.6% from 2010 to 2011. Of the $22.8 million increase in gross revenue in 2011, $18.1 million was due to acquisitions, and $6.9 million was due to organic growth, offset by a $2.2 million foreign exchange impact. In 2011, Canada accounted for approximately two thirds of our urban land business, with the remainder of the work being spread throughout a number of locations in the United States. The organic growth was mainly due to the stability in the residential market and our diversification into the nonresidential sector.

The Canadian housing market continued to be relatively buoyant in 2011, and our Canadian practice generally performed well. The US housing market was relatively stable in 2011 compared to 2010. In the United States, positive signs included land developers returning to the review of potential property purchases. However, a recovery is still complicated by foreclosures, credit issues, and unemployment rates, and there are concerns regarding ongoing economic challenges.

In 2011, we continued to pursue and take advantage of opportunities in both the residential and nonresidential markets in Canada and the United States, therefore demonstrating our ability to provide a variety of services to different segments in the urban land development market. In the residential market, for example, we provided project management, engineering design, transportation studies, land subdivision, surveying, and construction management for the Mahogany Stage 1 subdivision, a 400-hectare (1,000-acre) residential community in Calgary, Alberta. In some of our regions, our market is changing to include more medium- to higher-density development and redevelopment projects; therefore, we are tailoring our services to reflect this shift. We recently secured a high-density project in Waterloo, Ontario, where the site engineering services include reviewing municipal servicing capacities, resolving flood line and floodway constraints, addressing groundwater conditions, and the functional design of external traffic improvements in an urban environment. We continued to pursue nonresidential work in commercial, municipal, parks, and sports and recreation sectors to supplement our residential project backlog. For example, during the year, we provided surveying and site development services to assist retailer Target with the rollout of its stores into the Canadian marketplace. We also secured an assignment to provide landscape architecture, interpretive design, engineering, and environmental services for a new park and open space facilities at the Sydney Tar Ponds site, located on more than 90 hectares (225 acres) of former industrial property in Sydney, Nova Scotia. This project illustrates our ability to provide a multidisciplinary team drawing on expertise from several different locations.

We believe the outlook for our Urban Land practice area unit in 2012 is stable to moderate organic growth. The anticipated economic recovery in the United States is expected to be slow while the Canadian market will likely

remain reasonably steady. The acquisition of Bonestroo will augment our Urban Land municipal work in the Great Lakes region of the United States and positions us to take advantage of the growing opportunities in North Dakota. In 2012, we expect to continue diversifying our client base, building and leveraging our reputation with the public sector, and focusing on our multidisciplinary team approach.

Gross Margin

For a definition of gross margin, refer to the Definition of Additional IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section below. Gross margin decreased to 55.4% in 2011 from 56.1% in 2010. Our gross margin for 2011 was within the anticipated range of 54.5 to 56.5% set out in our 2010 Financial Review. The decrease in our gross margin percentage was due to a decrease in the gross margins for the Buildings, Industrial, and Transportation practice area units, partially offset by an increase in the gross margins for Environment and Urban Land as further explained below.

The following table summarizes our gross margin percentages by practice area unit for 2011 and 2010.

Gross Margin by Practice Area Unit	2011	2010
Buildings	54.2%	56.0%
Environment	58.3%	58.2%
Industrial	49.9%	51.5%
Transportation	54.1%	54.3%
Urban Land	59.2%	58.4%

Note: Comparative figures have been restated due to a realignment of several practice components between our Buildings, Industrial, Transportation, and Urban Land practice area units.

In general, fluctuations in the gross margin reported from year to year depend on the mix of projects in progress during any year and on our project execution. These fluctuations reflect the nature of our business model, which is based on diversifying our operations across geographic regions, practice area units, and all phases of the infrastructure and facilities project life cycle. In the Buildings practice area unit, in addition to project mix, the decrease in gross margin was a reflection of increased competition and the continued softening of the United States, United Kingdom, and Dubai buildings industries. The decrease in gross margin in the Industrial practice area unit was a reflection of increased competition and mix of projects.

The following table summarizes our gross margin percentages by region for 2011 and 2010.

Gross Margin by Region	2011	2010
Canada	56.8%	58.0%
United States	53.6%	53.1%
International	51.1%	55.6%

The lower gross margin experienced in the United States compared to Canada was principally due to the mix of projects in progress, the competitive environment in the United States, and the lower margins generally experienced in US government projects especially in our Transportation practice area unit. Although slightly lower than our Canadian business, our gross margins in the United States continue to increase.

The reduction in gross margin in Canada was mainly due to competitive pressures in our Buildings practice area unit and revisions made to our estimated cost to complete on certain large projects in 2011, resulting in a

reduction in gross margin. The reduction in gross margin in our International region resulted from the mix of projects in progress and the addition of our United Arab Emirates operations, for which margins were lower than for our other international operations.

Administrative and Marketing Expenses
Our administrative and marketing expenses increased by $54.5 million from 2010 to 2011. As a percentage of net revenue, our administrative and marketing expenses were 41.0% in 2011 compared to 41.7% in 2010, falling within the low end of our expected range of 41 to 43%. Administrative and marketing expenses may fluctuate from year to year because of the amount of staff time charged to marketing and administrative labor, which is influenced by the mix of projects in progress and being pursued during the period, as well as by business development and acquisition integration activities. In the months following the completion of an acquisition, there is usually an increase in staff time charged to administration and marketing due to integration activities including the orientation of newly acquired staff. Our administrative and marketing expenses as a percentage of net revenue were lower in 2011 compared to 2010, due to our continued focus on managing our costs and operational efficiencies. In addition, the 10 acquisitions completed during 2010 compared to the 5 acquisitions completed in 2011 resulted in more integration, restructuring, and professional costs being expensed in 2010. This decrease in acquisition-related costs in 2011 was partially offset by an increase in marketing and business development labor as a percentage of net revenue, due to additional client management activities in the year.

Depreciation of Property and Equipment
Depreciation increased by $2.4 million in 2011 primarily due to the addition of property and equipment from acquisition growth in the latter half of 2010 and in 2011. Depreciation of property and equipment as a percentage of net revenue was stable at 2.0% in 2011 compared to 2.1% in 2010.

Goodwill
Effective the third quarter of 2011, we changed the date of our annual goodwill impairment test to October 1 from July 1. In accordance with our accounting policies as described in note 4 of our audited consolidated financial statements, we conduct a goodwill impairment test annually or more frequently if circumstances indicate that an impairment may occur or if a significant acquisition occurs between the annual impairment test date and December 31.

In 2010, we performed an impairment test as at January 1, 2010, as required on transition to IFRS. In addition, we performed an annual goodwill impairment test as at July 1, 2010. Due to the acquisitions completed in the third and fourth quarters of 2010, an impairment test was also performed as at December 31, 2010. Based on the results of these tests, we concluded that the recoverable amount of our CGUs exceeded their carrying amount and, therefore, goodwill was not impaired.

We allocate goodwill to our CGUs, which are also our operating segments. These CGUs are defined based on the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Other factors are considered, including how management monitors the entity's operations. In 2010, we defined our CGUs as Canada East, Canada West, US East, and US West. As a Company we are constantly evolving and continue to expand and grow into different geographic locations. As we evolve, we regularly review our corporate and management structure to ensure our operations are organized into logical units, particularly for making operating decisions and assessing performance. If we determine our corporate and management structure should change, we accordingly review our definitions of CGUs and reportable segments. With our growth internationally in 2010 and resulting reorganization, we redefined our CGUs as Canada, the United States, and International effective January 1, 2011. We do not allocate or monitor goodwill to our practice area units.

In 2011, we operated effectively and ended the year with solid results. We performed our annual goodwill impairment test as at October 1, 2011. Market fluctuations caused our share price to decrease as at October 1, 2011, which adversely impacted our market capitalization. In addition, due to ongoing challenging economic conditions, the short-term performance of our US and International CGUs was weaker than expected. Considering these factors and their impact on the results of our goodwill impairment test, we concluded that at October 1, 2011, our goodwill was impaired and, in the fourth quarter, we recorded a $90.0 million non-cash goodwill impairment charge to income. We allocated $78.8 million of this charge to our US CGU and $11.2 million to our International CGU. After the goodwill impairment charge, at October 1, 2011, the goodwill allocated to our US CGU was reduced by 23.1% to $261.5 million, which was 52.1% of our consolidated goodwill balance, and the goodwill allocated to our International CGU was reduced to zero. This charge is non-cash in nature, does not affect our liquidity, cash flows from operating activities, or debt covenants, and does not impact the operations of our business. We continue to focus on long-term growth through efficient execution of our strategy. Despite the weaker-than-expected short-term performance of our US and International CGUs, our investments over the past five years have continued to strengthen our foundation and have positioned us to benefit from an improving economy. We will continue to deliver shareholder value by focusing on organic and acquisition growth.

Valuation techniques

In performing our goodwill impairment test, we compare the recoverable amount of our CGUs to their respective carrying amounts. If the carrying amount of a CGU is higher than its recoverable amount, an impairment charge is recorded as a reduction in the carrying amount of the goodwill on the consolidated statement of financial position and recognized as a non-cash impairment charge in income. We estimate the recoverable amount by using the fair value less costs to sell approach. It estimates fair value using market information and discounted after-tax cash flow projections, which is known as the income approach. The income approach uses a CGU's projection of estimated operating results and discounted cash flows based on a discounted rate that reflects current market conditions. We use cash flow projections from financial forecasts approved by senior management covering a five-year period. For our October 1, 2011, impairment test, we discounted our CGUs' cash flows using after-tax discount rates ranging from 9.6% to 17% (December 31, 2010 – 9.75% to 11.75%; July 1, 2010 – 9.7% to 11.5%; January 1, 2010 – 10% to 12%). To arrive at cash flow projections we use estimates of economic and market information as described in the Critical Accounting Estimates section under the Critical Accounting Estimates, Developments, and Measures heading below.

Sensitivity

The calculation of fair value less costs to sell for all of our CGUs is most sensitive to the following assumptions:

- Operating margins based on actual experience and management's long-term projections
- Discount rates reflecting investors' expectations when discounting future cash flows to a present value taking into consideration market rates of return, capital structure, company size, and industry risk. This rate is further adjusted to reflect risks specific to the CGU for which future estimates of cash flows have not been adjusted.
- Growth rate estimates based on actual experience and market analysis. Projections are extrapolated beyond five years using a growth rate that typically does not exceed 4.0%.

At October 1, 2011, the recoverable amount of our Canadian CGU exceeded its carrying amount by a substantial amount. With regards to the assessment of fair value less costs to sell, we believe that no reasonably possible change in any of the above key assumptions would have caused the carrying amount of the Canadian CGU to materially exceed its recoverable amount.

Intangible Assets

The timing of completed acquisitions, the size of acquisitions, and the type of intangible assets acquired impact the amount of amortization of intangible assets in a period. Client relationships are amortized over estimated useful lives ranging from 10 to 15 years, whereas contract backlog is amortized over an estimated useful life of generally 1 to 3 years. Consequently, the impact of the amortization of contract backlog can be significant in the 4 to 12 quarters following an acquisition. Backlog is a non-IFRS measure further discussed in the Definition of Non-IFRS Measures in the Critical Accounting, Estimates, Developments, and Measures section below. As at December 31, 2011, $6.4 million of the $72.0 million in intangible assets related to backlog. Also included in intangible assets are purchased and internally generated computer software that is replaceable and not an integral part of related hardware. This computer software is amortized over estimated useful lives ranging from 2 to 7 years.

The following table summarizes amortization of identifiable intangible assets:

Intangibles

(In thousands of Canadian dollars)	**2011**	**2010**
Amortization of client relationships	5,179	4,845
Amortization of backlog	6,209	6,082
Software	5,898	5,648
Other	2,158	714
Lease disadvantage	(1,049)	-
Total amortization of intangible assets	18,395	17,289

The $1.1 million increase in the intangible assets amortization between 2010 and 2011 was mainly due to the amortization of customer relationship balances of QuadraTec, Caltech, and Burt Hill, as well as the amortization of the trade name of Anshen + Allen. During 2011, we added $18.6 million to intangible assets. Of the $18.6 million, $7.1 million was due to the addition of software and $11.5 million to acquisitions, mainly from QuadraTec, Caltech, FSC, and ENTRAN.

In accordance with our accounting policies, we review intangible assets at each reporting period to determine whether there is an indication of impairment. An asset may be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the asset. If an indication of impairment exists, the asset's recoverable amount is estimated. If the carrying amount exceeds the recoverable amount (on a discounted basis), the asset value is written down to the recoverable amount. For further discussion of the methodology used in testing long-lived assets and intangibles for impairment, refer to the Critical Accounting Estimates section under the Critical Accounting Estimates, Developments, and Measures heading below.

On January 1, 2010, as required on transition to IFRS, we performed an impairment test on intangible assets. This review determined that the carrying amount of our intangible assets exceeded its recoverable amount and, as a result, we recorded a $3.8 million, non-cash impairment charge to retained earnings related to certain client relationships and a lease advantage. The impairment primarily reflected a decline in expected future cash flows from these clients and a reduction in the value of a favorable lease in our New York, New York, office. The remaining carrying value of these specific client relationships, following this impairment charge, was $5.1 million. The carrying value of the favorable lease was reduced to zero.

Based on our review of intangible assets at each reporting period since January 1, 2010, there have been no indications of impairment.

Net Interest Expense

During the year, we extended the maturity of our existing $350 million revolving credit facility to August 31, 2015, and renegotiated the interest rates. The facility allows us access to an additional $75 million under the same terms and conditions on approval from our lenders. Also during the year, we successfully issued $70 million of 4.332% senior secured notes due May 10, 2016, and $55 million of 4.757% senior secured notes due May 10, 2018, as further described below.

The $1.8 million increase in net interest expense in 2011 compared to 2010 was due to an increase in interest rates compared to 2010, mainly from the rates entered into for the issuance of our senior secured notes in the year. The increase in interest rates was partially offset by a decrease in long-term debt. At December 31, 2011, $207.5 million was outstanding on our revolving credit facility and senior secured notes compared to $220.2 million outstanding on our credit facility at December 31, 2010. As at December 31, 2011, $28.5 million of our credit facility was payable in US funds (US$28.0 million), and $55.0 million was payable in Canadian funds. Our average interest rate on our credit facility was 2.5% at December 31, 2011, compared to 2.97% at December 31, 2010. All of our $125 million in senior secured notes at December 31, 2011, are in Canadian funds. Our average interest rate on our secured notes was 4.52%.

Depending on the form under which the credit facility is accessed, rates of interest may vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates, plus specified basis points. The specified basis points may vary, depending on our level of consolidated debt to EBITDA, from 50 to 175 for Canadian prime and US base rate loans and from 150 to 275 for bankers' acceptances, LIBOR loans, and letters of credit. (Debt to EBITDA is defined in the Definition of Non-IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.) Prior to the extension, the basis points varied, depending on our level of consolidated debt to EBITDA, from 100 to 225 for Canadian prime and US base rate loans and from 200 to 325 for bankers' acceptances, LIBOR loans, and letters of credit.

We minimize our exposure to floating rates of interest on our revolving credit facility, when appropriate, by entering into interest rate swap agreements. During 2008, we entered into an interest swap agreement that had the effect of converting the variable interest obligation associated with US$100 million of our credit facility, based on a LIBOR rate, into a fixed interest rate of 3.43%, plus an applicable basis points spread. The swap agreement ended September 3, 2010.

Based on our credit facility balance at December 31, 2011, we estimate that a 0.5% increase in interest rates, with all other variables held constant, would decrease our net income by approximately $0.4 million for the year, and decrease our basic earnings per share by approximately $0.01 for the year. A 0.5% decrease in interest rates would have an equal and opposite impact on our net income and basic earnings per share.

We have the flexibility to partially mitigate our exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt. Our senior secured notes have fixed interest rates; therefore, interest rate fluctuations would have no impact on the senior secured notes interest payments.

Foreign Exchange Gains/Losses
We reported a foreign exchange loss of $0.5 million in 2011 compared to a $1.0 million loss in 2010. These foreign exchange gains and losses arose on the translation of the foreign-denominated assets and liabilities held in our Canadian companies and in our non-US-based foreign subsidiaries. We minimize our exposure to foreign exchange fluctuations by matching US-dollar assets with US-dollar liabilities and, when appropriate, by entering into forward contracts to buy or sell US dollars in exchange for Canadian dollars. The foreign exchange losses in 2011 and 2010 were due to the volatility of daily foreign exchange rates and the timing of the recognition and relief of foreign-denominated assets and liabilities. As at December 31, 2011, we had no foreign currency forward contract agreements.

During 2011, we also recorded a $5.8 million foreign exchange gain in our currency translation adjustments in other comprehensive income compared to an $18.6 million loss in 2010. These unrealized gains and losses arose when translating our foreign operations into Canadian dollars. We do not hedge for this foreign exchange translation risk. The gain recorded during 2011 was due to the weakening of the Canadian dollar from US$1.01 at December 31, 2010, to US$0.98 at December 31, 2011, and the loss recorded during 2010 was due to the strengthening of the Canadian dollar from US$0.95 at December 31, 2009, to US$1.01 at December 31, 2010.

We estimate that, due to a slight net exposure at December 31, 2011, a $0.01 increase or decrease in the US-dollar to Canadian-dollar exchange rate, with all other variables held constant, would have had an immaterial impact on our net income for the year.

Income Taxes
Our effective income tax rate for 2011 would have been 26.5% without the impact of the goodwill impairment charge of $90.0 million recorded in 2011. In 2010 our effective income tax rate was 29.7%. The 26.5% for 2011 met our target of at or below 28.5% set out in our 2010 Financial Review. The 2010 effective income tax rate was impacted by a reorganization of our corporate tax structure in January 2010. This reorganization resulted in a gain for tax purposes; however, this gain did not affect cash income taxes payable, since it was offset by previously recognized US income tax losses. The reorganization was part of a long-term strategy to make our corporate tax structure more efficient. Partially offsetting this increase in our effective income tax rate was the impact of the $7.2 million capital gain on the sale of our 30% equity investments in Fugro Jacques Geosurveys Inc. and Fugro Jacques N.V. (Fugro) in the third quarter of 2010.

Excluding the impact of the reorganization and the gain on the sale of equity investments, our effective tax rate for 2010 would have been 25.6%. The increase from 25.6% in 2010 to 26.5% in 2011 was due to additional income earned in our higher tax rate jurisdictions and a decrease in income from associated companies, which we receive on an after-tax basis.

Quarterly Trends

The following is a summary of our quarterly operating results for the last two fiscal years, all prepared in accordance with IFRS:

Quarterly Unaudited Financial Information

(In millions of Canadian dollars, except per share amounts)

	2011				2010			
	Dec 31	**Sep 30**	**Jun 30**	**Mar 31**	**Dec 31**	**Sep 30**	**Jun 30**	**Mar 31**
Gross revenue	432.0	430.4	412.3	408.7	383.7	386.7	371.1	371.6
Net revenue	348.2	351.2	342.3	336.8	310.9	314.5	303.8	296.8
Net income (loss)	(65.7)	28.9	25.7	23.8	23.3	31.3	23.8	16.3
EPS – basic	(1.45)	0.63	0.56	0.52	0.51	0.69	0.52	0.36
EPS – diluted	(1.45)	0.63	0.56	0.52	0.51	0.68	0.52	0.35

The quarterly earnings per share on a basic and diluted basis are not additive and may not equal the annual earnings per share reported. This is due to the effect of shares issued or repurchased during the year on the weighted average number of shares. Diluted earnings per share on a quarterly and annual basis are also affected by the change in the market price of our shares, since we do not include in dilution options whose exercise price is not in the money.

The following items impact the comparability of our quarterly results *:*

Gross Revenue *(In millions of Canadian dollars)*	**Q4 11 vs. Q4 10**	**Q3 11 vs. Q3 10**	**Q2 11 vs. Q2 10**	**Q1 11 vs. Q1 10**
Increase in gross revenue due to:				
Acquisition growth	38.4	44.9	51.6	48.3
Increase (decrease) in organic growth	8.2	7.1	(1.8)	(3.8)
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	1.7	(8.3)	(8.6)	(7.4)
Total net increase in gross revenue	48.3	43.7	41.2	37.1

During Q1 11, our gross revenue increased by $37.1 million, or 10.0%, to $408.7 million compared to $371.6 million for the same period in 2010. Approximately $48.3 million of this increase resulted from an increase in revenue from acquisitions completed in 2011 and 2010, offset by a $7.4 million foreign exchange impact—due to the strengthening of the Canadian dollar during Q1 11 compared to Q1 10—and a $3.8 million retraction in organic revenue. Net income for Q1 11 increased by $7.5 million, or 46.0%, from the same period in 2010, and diluted earnings per share for Q1 11 increased by $0.17, or 48.6%, compared to Q1 10. Net income during Q1 11 was positively impacted by the increase in gross and net revenue and an increase in gross margin as a percentage of net revenue from 55.5% in Q1 10 to 55.8% in Q1 11. Also, our income tax expense decreased by $6.5 million or 42.5% due to the tax impact of the reorganization of our corporate structure in Q1 10. Net income in Q1 11 was negatively impacted by an increase in our administrative and marketing expenses as a percentage of net revenue from 41.4% in Q1 10 to 42.2% in Q1 11. This increase was primarily due to the recognition of sublease revenue in Q1 10 and increased integration activities in Q1 11.

During Q2 11, our gross revenue increased by $41.2 million, or 11.1%, to $412.3 million compared to $371.1 million for the same period in 2010. Approximately $51.6 million of this increase resulted from acquisitions completed in 2011 and 2010, offset by an $8.6 million foreign exchange impact—due to the strengthening of the

Canadian dollar during Q2 11 compared to Q2 10—and a $1.8 million retraction in organic revenue. Net income for Q2 11 increased by $1.9 million, or 8.0%, from the same period in 2010, and diluted earnings per share for Q2 11 increased by $0.04, or 7.7%, compared to Q2 10. Net income during Q2 11 was positively impacted by the increase in gross and net revenue, and by a decrease in our administrative and marketing expenses as a percentage of net revenue from 40.8% in Q2 10 to 40.4% in Q2 11. Net income in Q2 11 was negatively impacted by a reduction of gross margin as a percentage of net revenue from 55.7% in Q2 10 to 55.1% in Q2 11. This decrease in gross margin mainly occurred in our Industrial and Buildings practice area units because of the mix of projects during the quarter. Net income in Q2 11 was also negatively impacted by an increase in amortization of intangible assets.

During Q3 11, our gross revenue increased by $43.7 million, or 11.3%, to $430.4 million compared to $386.7 million for the same period in 2010. Approximately $44.9 million of this increase resulted from acquisitions completed in 2011 and 2010, and $7.1 million resulted from organic growth. These increases were partially offset by an $8.3 million foreign exchange impact due to the strengthening of the Canadian dollar during Q3 11 as compared to Q3 10. Excluding the impact of a $5.9 million after-tax gain on sale of equity investments in Q3 10, net income increased 13.8% to $28.9 million in Q3 11 from $25.4 million in Q3 10, and diluted earnings per share increased 14.5% to $0.63 in Q3 11 from $0.55 in Q3 10. Including the impact of the gain on sale of equity investments, our net income decreased 7.7% to $28.9 million from $31.3 million, and diluted earnings per share decreased 7.4% to $0.63 from $0.68. Net income during Q3 11 was positively impacted by the increase in gross and net revenue, and by a decrease in our administrative and marketing expenses as a percentage of net revenue from 41.3% in Q3 10 to 40.0% in Q3 11. Net income in Q3 11 was negatively impacted by a reduction of gross margin as a percentage of net revenue from 56.2% in Q3 10 to 55.5% in Q3 11. This decrease in gross margin mainly occurred in our Buildings practice area unit because of increased competition, the continued softening of the industry, and revisions made to our estimated cost to complete on certain large projects.

During Q4 11, our gross revenue increased by $48.3 million, or 12.6%, to $432.0 million compared to $383.7 million for the same period in 2010. Approximately $38.4 million of this increase resulted from an increase in revenue from acquisitions completed in 2011 and 2010, and $8.2 million resulted from organic growth, and $1.7 million was due to foreign exchange. The foreign exchange impact was due to the weakening of the Canadian dollar during Q4 11. Excluding the impact of a $90.0 million non-cash goodwill impairment charge, net income for Q4 11 increased by $1.0 million, or 4.3%, from the same period in 2010, and diluted earnings per share for Q4 11 increased by $0.02, or 3.9%, compared to Q4 10. Including the impact of the $90.0 million goodwill impairment charge, net income for Q4 11 decreased by $89.0 million, from the same period in 2010, and diluted earnings per share for Q4 11 decreased by $1.96 compared to Q4 10. Net income during Q4 11 was positively impacted by the increase in gross revenue and a reduction in administrative and marketing labor as a percentage of net revenue from 43.0 % in Q4 10 to 41.5% in Q4 11. Staff time charged to marketing and administrative labor may fluctuate from quarter to quarter because it is influenced by the mix of projects in progress and being pursued during the period, as well as by acquisition integration activities. In Q4 10, we were in the process of integrating the eight acquisitions completed during the second half of 2010 compared to three in the second half of 2011. Apart from the goodwill impairment charge, net income was also negatively impacted by a reduction in gross margin as a percentage of net revenue. Our gross margin percentage was 55.1% in Q4 11 compared to 56.7% in Q4 10. This decrease quarter over quarter was mainly due to a decrease in the gross margins for our Industrial and Buildings practice area units resulting from the mix of projects during the quarter, increased competition, and a softening of the buildings industry in the United States, United Kingdom, and Dubai.

Liquidity and Capital Resources

The following table represents summarized working capital information as at December 31, 2011, compared to December 31, 2010:

(In millions of Canadian dollars, except ratio)	**Dec 31, 2011**	**Dec 31, 2010**	**Change**
Current assets	529.2	500.9	28.3
Current liabilities	(327.5)	(324.0)	(3.5)
Working capital *(note 1)*	201.7	176.9	24.8
Current ratio *(note 1)*	1.62	1.55	n/a

note 1: Working capital is calculated by subtracting current liabilities from current assets. Current ratio is calculated by dividing current assets by current liabilities. Both terms are further discussed in the Definition of Non-IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.

Our cash flows from (used in) operating, investing, and financing activities, as reflected in our consolidated statements of cash flows, are summarized in the following table:

(In millions of Canadian dollars)	**2011**	**2010**	**$ Change 2011 vs. 2010**
Cash flows from operating activities	114.6	111.9	2.7
Cash flows used in investing activities	(99.4)	(128.2)	28.8
Cash flows from (used in) financing activities	(41.9)	65.9	(107.8)

We are able to meet our liquidity needs through a variety of sources, including cash generated from operations, long- and short-term borrowings from our $350 million credit facility, senior secured notes, and the issuance of common shares. Our primary use of funds is for paying operational expenses, completing acquisitions, sustaining capital spending on property and equipment, and repaying long-term debt.

We believe that internally generated cash flows, supplemented by borrowings, if necessary, will be sufficient to cover our normal operating and capital expenditures. We also believe that the design of our business model, as explained in the Core Business and Strategy section of this report, reduces the impact of changing market conditions on our operating cash flows. Consequently, we do not anticipate any immediate need to access additional capital through the sale of our equity. However, under certain favorable market conditions, we would consider issuing common shares to facilitate acquisition growth or to reduce the utilized level on our credit facility.

We continue to manage our capital structure according to the internal guideline established in our 2010 Financial Review of maintaining a net debt to equity ratio of less than 0.5 to 1.0. Our net debt to equity ratio, a non-IFRS measure, is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash, divided by (2) shareholders' equity. At December 31, 2011, our net debt to equity ratio was 0.41 to 1.0 or 0.36 to 1.0 without the impact of the $90.0 million goodwill impairment charge. Going forward, there may be occasions when we exceed our target by completing opportune acquisitions that increase our debt level above the target for a period of time.

We continue to limit our exposure to credit risk by placing our cash and cash equivalents in and, when appropriate, by entering into derivative agreements with, high-quality credit institutions. Our investment held for self-insured liabilities includes bonds and equities, and we mitigate the risk associated with these bonds and equities to some extent through the overall quality and mix of our investment portfolio.

Working Capital
Our working capital (current assets less current liabilities) at the end of 2011 was $201.7 million compared to $176.9 million in 2010. Current assets increased by $28.3 million and current liabilities increased by $3.5 million. The increase in current assets was mainly due to a $44.1 million increase in trade and other receivables and unbilled revenue, mainly due to the timing of contracted milestone billing, increased operations and acquisition activity, and a $4.0 million increase in current other financial assets, mainly due to an increase in our investments held for self-insured liabilities. As well, there was a $4.5 million increase in income taxes recoverable and a $3.2 million increase in prepaid expenses due to normal operations. These increases were partially offset by a $26.6 million decrease in cash and short-term deposits because cash was being held at December 31, 2010, for the payment of notes from acquisitions that were paid in January 2011.

The $3.5 million increase in current liabilities from 2010 to 2011 was mainly due to a $13.2 million increase in the current portion of long-term debt because of notes payable from past acquisitions becoming due in 2012, a $5.6 million increase in trade and other payables because of higher payroll accruals from an increase in staff numbers, and a $1.9 million increase in current other liabilities. These increases were partially offset by a $7.3 million decrease in billings in excess of costs due to the timing of billings, a $4.6 million decrease in income taxes payable due to the payment of income taxes payable assumed from acquisitions, and $4.3 million decrease in current other financial liabilities because of the payment of contingent considerations related to past acquisitions.

In 2011, our current ratio increased to 1.62 from 1.55 in 2010 mainly due to the increase in trade and other receivables and unbilled revenue.

Cash Flows From Operating Activities
Our cash flows from operating activities were $114.6 million in 2011 compared to $111.9 million in 2010. Our cash flows from operating activities are impacted by the timing of payroll and acquisitions—in particular, the timing of payments of acquired trade and other payables, including employee annual bonuses. The $2.7 million increase in cash flows from operating activities for 2011 compared to 2010 was a result of the following:

- Our cash receipts from clients increased due to our acquisition and organic growth in 2011
- Our cash paid to suppliers was lower due to less trade and other payables assumed from the 5 acquisitions in 2011 compared to the 10 acquisitions in 2010

The above was partially offset by an increase in cash paid to employees due to the increase in staff numbers. As well, our investment in unbilled revenue and trade and other receivables increased to 92 days at December 31, 2011, from 86 days at December 31, 2010.

Cash Flows Used In Investing Activities
Our cash flows used in investing activities were $99.4 million in 2011 compared to $128.2 million in 2010. In 2011, we used $76.4 million for the 5 acquisitions completed during the year and for the payment of notes payable and contingent consideration due from prior acquisitions, as compared to using $106.4 million for the 10 acquisitions completed in 2010 and the payment of notes payable and contingent consideration from prior acquisitions. An increase in the proceeds received in 2011 over 2010 of $9.4 million on the disposition of investments and other assets assumed on acquisitions over the amounts realized in 2010 offsets the impact of the 2010 $10.0 million proceeds received from the sale of our 30% equity investments in Fugro Jacques Geosurveys Inc. and Fugro Jacques N.V. in 2010.

As a professional services organization, we are not capital intensive. In the past, we have made capital expenditures primarily for items such as leasehold improvements, computer equipment, furniture, and other office

and field equipment. Our cash outflows for property and equipment and software totaled $25.8 million in 2011 as compared to $29.0 million in 2010. One factor contributing to the higher spending on property and equipment in 2010 compared to 2011 was the enhancements to our information technology infrastructure and enterprise system. Our capital expenditures during 2011 were financed by cash flows from operations. We expect our total capital and software expenditures in 2012 to be in the range of $35 to $40 million excluding capital assets acquired from acquisitions. In 2012 we plan to continue to invest in enhancements to our business information systems to optimize and streamline our business processes and prepare for continued growth.

Cash Flows From (Used In) Financing Activities

Our cash flows used in financing activities were $41.9 million in 2011 compared to $65.9 million in cash flows generated from financing activities in 2010. Our cash flows used in financing activities increased $107.8 million compared to 2010. In 2011, we issued $125.0 million in senior debt and used these funds to repay a portion of our revolving credit facility. In addition, we reduced our net revolving credit facility by $23.7 million in 2011 compared to increasing the use of our facility in 2010 by $76.9 million. As at December 31, 2011, $259.5 million was available in the revolving credit facility for future activities. Our year-to-date use of funds for financing activities also increased due to repurchasing $11.1 million in shares for cancelation under our normal course issuer bid, as compared to $4.9 million for the same period last year.

During the year, we extended the maturity date of our existing $350 million revolving credit facility to August 31, 2015. This facility also allows us access to an additional $75 million under the same terms and conditions on approval from our lenders. Our credit facility is available for acquisitions, working capital needs, and general corporate purposes. Depending on the form under which the credit facility is accessed and certain financial covenant calculations, rates of interest may vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates, plus specified basis points. The specified basis points may vary, depending on our level of consolidated debt to EBITDA, from 50 to 175 for Canadian prime and US base rate loans and from 150 to 275 for bankers' acceptances, LIBOR loans, and letters of credit.

On May 13, 2011, we issued $70 million of 4.332% senior secured notes due May 10, 2016, and $55 million of 4.757% senior secured notes due May 10, 2018. These amounts were recorded net of transaction costs of $1.1 million. The senior secured notes were issued pursuant to an indenture dated May 13, 2011, between Stantec Inc., as issuer, and BNY Trust Company of Canada, as trustee. The senior secured notes are ranked equally with our existing revolving credit facility. Interest on the senior secured notes is payable semi-annually in arrears on May 10 and November 10 each year commencing on November 10, 2011, until maturity or the earlier payment, redemption, or purchase in full of the senior secured notes. We may redeem the senior secured notes, in whole at any time or in part from time to time, at specified redemption prices and subject to certain conditions required by the indenture. As well, we may purchase our senior secured notes for cancellation at any time. The senior secured notes contain restrictive covenants. All of our assets are held as collateral under a general security agreement for the revolving credit facility and the senior secured notes.

We are subject to financial and operating covenants related to our credit facility and senior secured notes. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerated repayment of our debt obligation. In particular, at each quarter-end, we must satisfy the following at any time: 1) our consolidated EBITDAR to debt service ratio must not be less than 1.25 to 1.0 for the revolving credit facility and senior secured notes and 2) our consolidated debt to EBITDA ratio must not exceed 2.5 to 1.0 for the revolving credit facility, and 2.75 to 1.0 for the senior secured notes, except in the case of a material acquisition, when our consolidated debt to EBITDA ratio must not exceed 3.0 to 1.0 for the revolving credit facility, and 3.25 to 1.0 for the senior secured notes, for a period of two complete quarters following the acquisition. These EBITDA and EBITDAR to debt service ratios are defined in the Definition of Non-IFRS Measures in the Critical Accounting

Estimates, Developments, and Measures section of this report. We were in compliance with all these covenants as at and throughout the period ended December 31, 2011.

In the fourth quarter of 2011, we amended our $350 million revolving credit facility to add a bid bond facility in the amount of $10 million. This facility also allows us to access an additional $5 million under the same terms and conditions upon approval from our lenders. This facility may be used for the issuance of bid bonds, performance guarantees, letters of credit, and documentary credits in an international currency. At December 31, 2011, $366,000 had been issued under this bid bond facility.

Shareholders' Equity

Our shareholders' equity increased by $11.4 million in 2011 and by $77.7 million in 2010. The following table summarizes the reasons for these increases:

(In millions of Canadian dollars)	**2011**	**2010**
Beginning shareholders' equity	615.6	537.9
Net income for the year	12.7	94.7
Currency translation adjustments	5.7	(18.6)
Unrealized (loss) gain on financial assets	(1.5)	1.6
Recognition of fair value of share-based compensation	2.7	1.9
Share options exercised for cash	2.9	3.0
Shares repurchased under normal course issuer bid	(11.1)	(4.9)
Total change	11.4	77.7
Ending shareholders' equity	627.0	615.6

The change arising on the translation of our foreign operations into Canadian dollars was a $5.7 million gain compared to an $18.6 million loss in 2010. The change in 2011 was due to the weakening of the Canadian dollar—from US$1.01 to US$0.98—during the year. In 2010, the Canadian dollar strengthened from US$0.95 to US$1.01 at the end of the year.

We hold investments for self-insured liabilities consisting of government and corporate bonds and equity securities. These investments are classified as available for sale and are stated at fair value with the unrecognized gain or loss recorded in other comprehensive income. The change in the fair value of these investments was a $1.5 million loss in 2011 and a $1.6 million gain in 2010.

From time to time, our board of directors grants share options as part of our incentive programs. In 2011, our board granted 410,000 share options to various officers and employees of the Company. These options vest equally over a three-year period and have a contractual life of seven years from the grant date. Share options exercised in 2011 generated $2.9 million in cash compared to generating $3.0 million in 2010.

Our normal course issuer bid on the TSX was renewed in 2011 and allows us to repurchase up to 2,287,592 of our common shares during the period of June 1, 2011, to May 31, 2012. We continue to believe that, from time to time, the market price of our common shares does not fully reflect the value of our business or future business prospects and that, at such times, outstanding common shares are an attractive, appropriate, and desirable use of available Company funds. In 2011, we purchased 459,600 common shares at an average price of $24.09 per

share for an aggregate price of $11.1 million. In 2010, we repurchased 198,300 at an average price of $24.64 per share for an aggregate price of $4.9 million.

Other

Outstanding Share Data
At December 31, 2011, there were 45,523,585 common shares and 1,578,300 share options outstanding. During the period of December 31, 2011, to February 23, 2012, no shares were repurchased under our normal course issuer bid, no share options were granted, 5,000 share options were exercised, no share options were forfeited, and 2,500 share options were cancelled. At February 23, 2012, there were 45,528,585 common shares and 1,570,800 share options outstanding.

Contractual Obligations
As part of our continuing operations, we enter into long-term contractual arrangements from time to time. The following table summarizes the contractual obligations due on our long-term debt, operating and finance lease commitments, purchase and service obligations, and other liabilities as of December 31, 2011:

Contractual Obligations	**Payment Due by Period**				
(In millions of Canadian dollars)	**Total**	**Less than 1 Year**	**1–3 Years**	**4–5 Years**	**After 5 Years**
Debt	291.8	54.8	28.3	153.5	55.2
Interest on debt	40.1	9.2	16.6	10.8	3.5
Operating leases	448.0	79.5	136.5	104.3	127.7
Finance lease obligation	5.3	5.0	0.2	0.1	-
Purchase and service obligations	9.6	6.0	3.5	0.1	-
Other obligations	8.0	0.6	2.0	0.1	5.3
Total contractual obligations	802.8	155.1	187.1	268.9	191.7

For further information regarding the nature and repayment terms of our long-term debt and finance lease obligations, refer to the Cash Flows From Financing Activities section and notes 18 and 22 in our audited consolidated financial statements for the year ended December 31, 2011, incorporated by reference herein. Our operating lease commitments include obligations under office space rental agreements, and our purchase and service obligations include agreements to purchase future goods and services that are enforceable and legally binding. Our other liabilities include amounts payable under our deferred share unit plan and restricted share units and a commitment to purchase the non-controlling interests of The National Testing Laboratories Limited over a period ending in 2014. Failure to meet the terms of our operating lease commitments may constitute a default, potentially resulting in a lease termination payment, accelerated payments, or a penalty as detailed in each lease agreement.

Off-Balance Sheet Arrangements
As of December 31, 2011, we had off-balance sheet financial arrangements relating to letters of credit in the amount of $7.0 million that expire at various dates before January 2013. These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations. We also have a surety facility to facilitate, as part of the normal course of operations, the issuance of bonds for certain types of project work. As at December 31, 2011, $11.3 million in bonds were issued under this agreement. In the fourth quarter of 2011, we entered into a bid bond facility, which allows us to issue bid bonds, performance guarantees, letters of

credit, and documentary credits in an international currency. At December 31, 2011, $0.4 million was issued under this bid bond facility.

During 2009, we issued a guarantee up to a maximum of US$60.0 million for project work with the US federal government. If the guarantee is exercised, we have recourse to our insurers, subject to certain deductibles, policy terms, and limits, to recover claims costs and damages arising from errors or omissions in professional services. At December 31, 2011, $104,000 of this guarantee had been exercised, but we have not made any payments under this guarantee, and no amounts have been accrued in our audited consolidated financial statements with respect to the guarantee.

In the normal course of business, we also provide indemnifications and, in very limited circumstances, surety bonds. These are often standard contractual terms and are provided to counterparties in transactions such as purchase and sale contracts for assets or shares, service agreements, and leasing transactions. In addition, we indemnify our directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. These indemnifications may require us to compensate the counterparty for costs incurred through various events. The terms of these indemnification agreements will vary based on the contract, the nature of which prevents us from making a reasonable estimate of the maximum potential amount that could be required to pay counterparties. Historically, we have not made any significant payments under such indemnifications, and no amounts have been accrued in our consolidated financial statements with respect to these guarantees.

Financial Instruments and Market Risk

Fair value. As at December 31, 2011, we value and record our financial instruments as follows:

- Cash and short-term deposits are classified as financial assets at fair value through profit and loss (FVPL) and are recorded at fair value, with realized and unrealized gains and losses reported in income.
- Trade and other receivables are classified as receivables and are initially accounted for at fair value and subsequently adjusted for any allowance for doubtful accounts, with allowances reported in administrative and marketing expenses.
- Investments held for self-insured liabilities, consisting of equity securities and bonds, are classified as financial assets available for sale and are recorded at fair value, with accumulated unrealized gains and losses reported in other comprehensive income until disposed of, at which time the realized gains and losses are recognized in income. Interest income is recorded in finance income, and dividends are recorded in other income.
- Trade and other payables are classified as other financial liabilities and are recorded at fair value and subsequently recorded at amortized cost using the effective interest rate method (EIR), with realized gains and losses reported in income. The EIR method discounts estimated future cash payments or receipts through the expected life of a financial instrument, therefore calculating the amortized cost and subsequently allocating the interest income or expense over the life of the instrument.
- Long-term debts, including non-interest-bearing debts, are classified as loans and borrowings and are initially recorded at fair value and subsequently recorded at amortized cost using the EIR method, with the EIR amortization and realized gains and losses reported in finance costs.
- Derivatives are classified as financial assets and liabilities at FVPL and are accounted for at fair value, with unrealized and realized gains and losses reported in finance income, finance costs, or foreign exchange gains/losses. Derivatives are carried as other financial assets when the fair value is positive and as other financial liabilities when the fair value is negative.

All financial assets are recognized initially at fair value plus directly attributable transaction costs except for financial assets at FVPL, for which transaction costs are expensed. Purchases or sales of financial assets are accounted for at trade dates. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent to initial recognition, the fair values of financial instruments are based on the bid prices in quoted active markets for financial assets and on the ask prices for financial liabilities. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include 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. The fair values of cash and short-term deposits, trade and other receivables, and trade and other payables approximate their carrying amounts because of the short-term maturity of these instruments. The carrying amount of bank loans approximates their fair value because the applicable interest rate is based on variable reference rates. The carrying amounts of other financial assets and financial liabilities approximate their fair values.

Market risk. We are exposed to various market factors that can affect our performance, primarily with respect to currency and interest rates.

Currency. Our currency exchange rate risk results primarily from the following three factors:

- A significant portion of our revenue and expenses is generated or incurred in US dollars; therefore, we are exposed to fluctuations in exchange rates. To the extent that US-dollar revenues are greater than US-dollar expenses in a strengthening US-dollar environment, we expect to see a positive impact on our income from operations. Conversely, to the extent that US-dollar revenues are greater than US-dollar expenses in a weakening US-dollar environment, we expect to see a negative impact. This exchange rate risk primarily reflects, on an annual basis, the impact of fluctuating exchange rates on the net difference between total US-dollar professional revenue and US-dollar expenses. Other exchange rate risk arises from the revenue and expenses generated or incurred by subsidiaries located outside Canada and the United States. Our income from operations will be impacted by exchange rate fluctuations used in translating these revenues and expenses. We do not hedge for this foreign exchange translation risk.
- Foreign exchange fluctuations may also arise on the translation of the balance sheet of (net investment in) our US-based subsidiaries or other foreign subsidiaries where the functional currency is different from the Canadian dollar, and are recorded in other comprehensive income. We do not hedge for this foreign exchange translation risk.
- Foreign exchange gains or losses arise on the translation of foreign-denominated assets and liabilities (such as accounts receivable, accounts payable and accrued liabilities, and long-term debt) held in our Canadian operations and non-US-based foreign subsidiaries. We minimize our exposure to foreign exchange fluctuations on these items by matching US-dollar assets with US-dollar liabilities and, when appropriate, by entering into forward contracts to buy or sell US dollars in exchange for Canadian dollars.

Although we may buy or sell US dollars in exchange for Canadian dollars in accordance with our foreign exchange risk mitigation strategy, on occasion we may have a net exposure to foreign exchange fluctuations because of the timing of the recognition and relief of foreign-denominated assets and liabilities. At December 31, 2011, due to a slight net exposure, a $0.01 increase or decrease in the exchange rates, with all other variables held constant, would have had an immaterial impact on our net income for the year.

Interest Rate. Changes in interest rates also present a risk to our performance. Our revolving credit facility carries a floating rate of interest. In addition, we are subject to interest rate pricing risk to the extent that our

investments held for self-insured liabilities contain fixed-rate government and corporate bonds. In 2008, we minimized our exposure to floating rates of interest by entering into an interest rate swap agreement until September 3, 2010, as explained in the Net Interest Expense section above. We estimate that, based on our loan balance at December 31, 2011, a 0.5% increase in interest rates, with all other variables held constant, would have impacted our basic earnings per share by approximately $0.01 for the year.

We have the flexibility to partially mitigate our exposure to interest rate changes by maintaining a mix of both fixed and floating debt. Our $125 million in senior secured notes have fixed interest rates until they are due—$70 million at 4.332% due on May 10, 2016, and $55 million at 4.757% due on May 10, 2018. Since these have fixed rates, interest rate fluctuations would have no impact on the senior secured notes interest payments.

Related-Party Transactions

We have subsidiaries that are 100% owned and are consolidated in our financial statements. We also have management agreements in place with several special purpose entities to provide various services, including architecture, engineering, planning, and project management. These management agreements provide us with control over the management and operation of these entities. We also receive a management fee generally equal to the net income of the entities and have an obligation regarding their liabilities and losses. Based on these facts and circumstances, management has concluded that we control these entities and, therefore, consolidated them in our consolidated financial statements. Transactions among subsidiaries and special purpose entities are entered into in the normal course of business and on an arm's-length basis. Using the consolidated method of accounting, all intercompany balances are eliminated in full.

From time to time, we enter into transactions with associated companies and joint ventures. These transactions involve providing or receiving services and are entered into in the normal course of business and on an arm's-length basis. Associated companies are entities over which we are able to exercise significant influence but not control. We use the equity method of accounting for our associated companies. Total sales to our associates were $8.0 million during 2011. Distributions paid by our associates were $1.2 million in 2011. At December 31, 2011, receivables from our associates were $2.4 million.

Joint ventures are accounted for using the proportionate consolidation method, which results in recording our pro rata share of the assets, liabilities, revenues, and expenses of each entity. Total sales to our joint ventures were $15.1 million during 2011. Distributions paid by our joint ventures during 2011 were $0.2 million. At December 31, 2011, receivables from our joint ventures were $5.0 million.

Key management personnel have authority and responsibility for planning, directing, and controlling the activities of our Company and include our chief executive officer, chief financial officer, chief operating officer, and senior vice presidents. Total compensation to key management personnel and directors recognized as an expense during 2011 was $11.4 million (at December 31, 2010, it was $10.3 million).

From time to time, we guarantee the obligation of a subsidiary or special purpose entity regarding lease agreements. In addition, from time to time, we guarantee a subsidiary or special purpose entity's obligations to a third party pursuant to an acquisition agreement. Transactions with subsidiaries, special purpose entities, associated companies, and joint ventures are further described in notes 13 and 34 of our 2011 audited consolidated financial statements and are incorporated by reference herein.

OUTLOOK

The following table summarizes our expectations for the coming year:

Measure	Expected Range
Gross margin as % of net revenue	Between 54.5 and 56.5%
Administrative and marketing expenses as % of net revenue	Between 41 and 43%
Net income as % of net revenue	At or above 6%
Effective income tax rate	At or below 28.5%
Return on equity *(note 1)*	At or above 14%
Net debt to EBITDA *(note 2)*	Below 2.5

note 1: Return on equity is calculated as net income for the year divided by average shareholders' equity over each of the last four quarters.
note 2: Net debt to EBITDA ratio is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash and cash held in escrow, divided by (2) EBITDA, which is calculated as income before income taxes plus net interest expense, amortization of intangible assets, depreciation of property and equipment, and goodwill and intangible impairment. Net debt to EBITDA is a non-IFRS measure and is defined in the Definition of Non-IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.

We changed our target of net debt to equity ratio, used in past years, to a net debt to EBITDA target since this new target is more relevant in monitoring our future capital structure and corresponds to a covenant in our revolving credit facility and senior secured notes.

Overall, fluctuations in our actual performance occur due to the particular client and project mix achieved as well as the number of acquisitions completed in a year. Some targets, such as net debt to EBITDA, could be impacted and potentially exceeded by completing an opportune larger acquisition that increases our debt level above our target for a period of time.

The infrastructure and facilities market is diverse, consisting of many technical disciplines, practice areas, sectors, and industries for both the private and public sectors. In our principal area of operation, North America, our addressable market is large and is estimated to generate approximately US$80 billion in design-related revenue. This market size is affected by capital spending plans of private sector clients, government allocations to infrastructure, and alternate delivery models. Additionally, our international footprint is gradually expanding and includes office locations in the Caribbean, Latin America, India, Qatar, the United Kingdom, and the United Arab Emirates, expanding our market reach.

In 2012, we expect the overall outlook for professional services in our key markets and practice areas in North America to gradually increase as the economy regains stability and strength and we continue to build a top-tier position in the United States. In addition, we expect that alternate project delivery, including P3s, will continue to be strong in Canada and may present emerging opportunities in the US market. Our overall outlook for our international operations is stable since we expect that geographic areas with a stronger economic forecast will compensate for those with a weaker forecast. We base these expectations on a variety of factors, including the material factors described below.

Canada
The outlook for our Canadian operations in 2012 is moderate growth compared to 2011. Economic expansion is proceeding modestly, although the expected demand is slower than anticipated. Household spending remains solid and business investment is robust, supported by a sustained improvement in credit conditions, along with relatively low financing rates. The fiscal situation of the federal and most provincial governments limits the likelihood of significant increases in public infrastructure funding in 2012. On the private side, activity is increasing in several sectors, though not all sectors have experienced a turnaround. This activity has spurred strong competitive pressures as many international players are now attracted to the Canadian marketplace. Real gross

domestic product (GDP) is projected to grow 2.0% in 2012, according to the Bank of Canada. The following factors are evidence for our Canadian outlook in areas that directly impact infrastructure spending:

- Real GDP is expected to rebound in Canada and the United States with demand from private business increasing and government funding expected to be essentially flat. At present, most economic indicators remain mixed, leaving some risk of decline, especially in the case that US or European economic conditions worsen.
- The Bank of Canada's overnight rate target is currently at 1.0% and is expected to gradually increase in line with modest growth or any mounting inflationary pressure.
- The World Bank expects metal prices to decline moderately in 2012 due to a slowing demand from emerging markets as well as the commissioning of new supply, build-up as a result of recent high prices.
- For energy prices, the Energy Information Administration projects a continued increase in 2012. This suggests that capital expenditure by resource firms will continue and that large capital projects will continue to move forward as firms manage spending in accordance with market risk.
- The deep deficits of federal and provincial governments have forced a rebalancing of the books in some jurisdictions. These deficits are likely to affect public infrastructure spending, although both the impact and timing remain uncertain.
- Strength in the Canadian dollar is working to slow growth and could continue to offset favorable developments in 2012. The Bank of Canada estimates a Canada/US exchange rate averaging $0.98, a slight decrease from the average exchange rate of $1.01 in 2011.
- The public continues to be conscious of environmental issues, and governments continue to discuss climate change, although little movement is expected in the regulatory realm where economic issues remain in focus over the short term. Still, increased awareness has numerous impacts, including interest in pursuing sustainable design and development, improving water distribution and treatment, and reducing the ecological footprint of industrial activity.
- The Canadian resource-based economy and limited political risk are attracting the attention from many US and international competitors. This increases competitive pressure, especially in the P3 market, and is expected to continue in 2012.
- Housing prices in 2012 are expected to rise modestly. The Canadian Mortgage and Housing Corporation suggests that housing starts have been supported by low interest rates, but housing starts growth is expected to be regionally mixed in 2012. The 2012 forecast is 190,000 housing starts versus 193,950 in 2011.

United States

The outlook for our United States operations in 2012 is stable compared to 2011. The US economy grew at a slower pace than expected in 2011 and continues to be restrained by the consolidation of household balance sheets and slow growth in employment. Government funding in infrastructure-related activities is expected to remain stable or modestly decline related to a rising deficit, continued slowness in the residential marketplace, and persistent high unemployment. On a positive note, alternative project delivery is emerging as a possible solution to US infrastructure funding issues, which means we could be well positioned to transfer our Canadian experience into this much larger US market. Still, the timing on when this emerges with adequate process transparency and a sufficient pipeline of projects remains uncertain. Overall, however, the United States remains a very large market and we expect our performance to improve gradually throughout the course of 2012. The

Congressional Budget Office projects real GDP growth of 2.0% in 2012. The following factors related to infrastructure support this outlook:

- Housing activity in the United States is expected to increase in 2012 with the seasonally adjusted annual rate recovering to 499,000 from 429,000 in 2011. In the most recent months, the architectural billings index from the American Institute of Architects shifted slightly above and below 50.0, suggesting mixed demand for design services.
- According to the Congressional Budget Office, the US federal deficit, although starting to shrink, remains large by historical standards and is estimated to be 7.0% of GDP in 2012. States and municipalities are also experiencing fiscal revenue pressures. Adjustments to rebalance the books and reduce federal and state deficits may negatively impact public infrastructure spending, yet may also spur alternate project delivery.
- A continuing weak US dollar may impact the balance of trade and deficit; however, if economic recovery ensues as predicted, a rising dollar may further increase spending pressures.
- The upcoming presidential election in late 2012 may also divert attention to priorities outside of infrastructure, send federal funding to other areas, or create some legislative uncertainty, for example relating to the rollout of the healthcare bill. Short-term extensions of the long-term transportation legislation create some predictability for planned transportation projects, though a long-term sustainable strategy is still required. For healthcare, increased utilization by newly insured Americans is likely to create the need for rehabilitation or construction of healthcare-related infrastructure, though a dramatic political shift may alter this course.
- Environmental issues continue to be a focus after several highly visible events in key resource sectors. Some regulatory and permitting changes for the energy industry are appearing and will drive environmental compliance and monitoring. The present focus on the economy and the distraction of the upcoming presidential election means that changes in climate change regulation are unlikely in 2012. This creates stability in some previously stalled sectors and forfeits opportunity in other sectors.
- Strong commodity prices and the build-out toward energy independence mean the shale gas industry is likely to continue ramping up in 2012. This offers possibilities for organically growing our business, especially in the areas of environmental, site infrastructure design, and water treatment, though this busy market ensures our competitors are striving to do the same.

International

The outlook for our international operations is stable compared to 2011. These operations currently comprise a small percentage of our business, with the majority falling within our Buildings practice area unit. We are also active in the international mining sector. We expect that strong performance in some geographic areas will compensate for weaker performance in other areas. The following factors support this outlook:

- Public and private sector spending has been impacted globally by the economic slowdown. In the United Kingdom, the government is embarking on broad spending cuts that have resulted in the delay of various projects and are likely to impact project opportunities in 2012. The World Bank forecast for the United Kingdom is a GDP growth of 0.6%.
- For 2012, the World Bank forecasts GDP growth of 6.5% for India, 2.3% for the Middle East and North Africa region, and 3.6% for Latin America and the Caribbean region.

Overall Outlook

We believe that our overall outlook for 2012 is a moderate increase in organic revenue, with a targeted 2.0% to 3.0% increase compared to 2011, focused in regions and practice areas where we are a top-tier service provider. The difficult economic environment of the past year appears to be slowly improving, though related pressures, such as increased competition, margin compressions, project delays, and fiscal rebalancing, are lingering. Due to the diversity of our operations, the mixture of our clients, and the flexibility of our organization, we believe that we will continue to operate our business efficiently, to adapt our business to changing economic conditions, and to position ourselves for growth in a very large infrastructure and facilities market.

The outlook for our Buildings practice area unit is stable, the outlooks for our Environment, Transportation, and Urban Land practice area units are stable to moderate organic growth, and the outlook for our Industrial practice area unit is moderate organic growth, as compared to 2011. Further discussion on the outlooks for each of our practice area units for 2012 can be found in the Results section of this Management Discussion and Analysis on pages M-25 to M-29.

Going forward, we target to achieve a long-term average annual compound growth rate for gross revenue of 15%, a target we have met or exceeded since our initial public offering in 1994. Continued growth allows us to enhance the depth of our expertise and broaden our service offerings, provide expanded opportunities for our employees, and leverage our integrated enterprise systems. Further maximizing the critical mass and maturity we have achieved in certain practice areas and geographic locations also enables us to increase our business with key clients and sell our services across local markets. Our ability to expand 15% annually depends on our strategic efforts to grow organically and the availability of acquisition opportunities. We do not expect to encounter constraints in locating available acquisition candidates, given our past success as well as the consolidation trend in our industry, where smaller firms desire to join larger, more stable organizations. At any one time, we are engaged in discussions with many firms. Since it is important to find an appropriate cultural fit and complementary services, the acquisition process can extend over months or even years. Due to economic difficulties over the past few years, the process continues to be impacted by discrepancies between the perceived values of firms given their current and projected future financial performance.

In establishing our budgets for 2012, we assumed that the Canadian dollar would remain stable compared to the US dollar throughout the year. As well, we assumed that the average interest rate would remain relatively stable in 2012 compared to 2011. In establishing our effective income tax rate, we consider the tax rates substantially enacted at December 31, 2011, for the countries in which we operate, primarily Canada and the United States. We expect to support our targeted level of growth using a combination of cash flows from operations and borrowings. Under certain market conditions, we will also consider issuing common shares.

CRITICAL ACCOUNTING ESTIMATES, DEVELOPMENTS, AND MEASURES

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with IFRS, which require us to make various judgments, estimates, and assumptions. The notes to our December 31, 2011, consolidated financial statements outline our significant accounting estimates. The accounting estimates discussed below are considered particularly important because they require the most difficult, subjective, and complex management judgments. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome.

Unless otherwise specified in our discussion of specific critical accounting estimates, we expect no material changes in overall financial performance and financial statement line items to arise, either from reasonably likely changes in material assumptions underlying an estimate, or within a valid range of estimates from which the recorded estimate was selected. In addition, we are not aware of trends, commitments, events, or uncertainties that can reasonably be expected to materially affect the methodology or assumptions associated with our critical accounting estimates, subject to items identified in the Caution Regarding Forward-Looking Statements and Risk Factors sections of this discussion and analysis.

Revenue and Cost Recognition Estimates on Contracts. We account for our revenue in accordance with IAS 11, "Construction Contracts," which requires estimates to be made for contract costs and revenues. Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method based on the ratio of labor costs incurred to total estimated labor costs. Estimating total direct labor costs is subjective and requires the use of management's best judgments based on the information available at that point in time. We also provide for estimated losses on incomplete contracts in the period in which such losses are determined. Changes in the estimates are reflected in the period in which they are made and would affect our revenue and unbilled revenue.

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability to collect on our trade receivables. We use estimates in arriving at our allowance for doubtful accounts that are based on the age of the outstanding receivables and on our historical collection and loss experience. Future collections of receivables that differ from our current estimates would affect the results of our operations in future periods as well as our trade receivables and administrative and marketing expenses.

Provision for Self-Insured Liabilities. We self-insure certain risks, including professional liability and automobile liability. The accrual for self-insured liabilities includes estimates of the costs of reported claims and is based on estimates of loss using management's assumptions, including consideration of actuarial projections. These estimates of loss are derived from loss history that is then subjected to actuarial techniques in the determination of the proposed liability. Estimates of loss may vary from those used in the actuarial projections and may result in a larger loss than estimated. Any increase in loss would be recognized in the period in which the loss is determined and would increase our self-insured liability and reported expenses.

Share-Based Payment Transactions. We measure the cost of share-based payment transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. We have chosen the Black-Scholes option-pricing model for equity-settled and cash-settled share-based payment transactions. This estimate also requires determining the most appropriate inputs to the valuation model, including volatility in the price of our shares, risk-free interest rate, and expected hold period to exercise, as well as making assumptions about each of these inputs. The expected volatility is based on the historical volatility of our shares over a period commensurate with the expected term of the share option. The risk-free interest rate for the expected life of the options is based on the yield available on government bonds, with an approximate equivalent remaining term at the time of the grant. Historical data is used to estimate the expected life of the option. We also estimate our forfeiture rate for equity-settled transactions based on historical experience in order to determine the compensation expense arising from the share-based awards. Changes to the estimates are reflected in the period in which they are made and would affect our compensation expense, share capital, contributed surplus, and other liabilities. During 2011, we issued share options, deferred share units, and restricted share units. The restricted share unit plan is a new share-based cash-settled payment plan that we implemented during the first quarter of 2011.

Business Combinations. In a business combination, we may acquire the assets and assume certain liabilities of an acquired entity. Judgment is involved in determining the fair values assigned to the tangible and intangible assets (i.e., backlog, client relationships, and favorable and unfavorable leases) acquired and the liabilities assumed on the acquisition. The determination of these fair values involves a variety of assumptions, revenue growth rates, expected operating income, discount rates, and earning multiples. If our estimates or assumptions change prior to finalizing the fair value of assets acquired and liabilities assumed for a transaction, a revision to fair values may impact our net income in future periods. We are currently in the process of finalizing the fair value of assets acquired and liabilities assumed for Caltech, Bonestroo, FSC, and ENTRAN.

Contingent consideration resulting from business combinations is recorded at fair value at the acquisition date as part of the business combination, is based on discounted cash flows, and is subsequently remeasured to fair value at each reporting date. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. At January 1, 2010, on transition to IFRS, we fair valued contingent consideration outstanding from past business combinations using an income approach, which increased our other financial liabilities by $5.9 million and decreased our retained earnings by $6.0 million (net of tax). In the fourth quarter of 2010, due to a change in the probability of meeting a performance target, we accrued additional contingent consideration of $0.5 million as an increase to other financial liabilities and a decrease to other income/expense. Changes to the accounting for business combinations as a result of our transition from Canadian GAAP to IFRS are further discussed in the Transition to IFRS section of this Management's Discussion and Analysis.

Impairment of Non-Financial Assets. On October 1 of each year we conduct our annual goodwill test, or more frequently if circumstances indicate that an impairment may occur or if a significant acquisition occurs between the annual impairment date and December 31. We review our intangible assets at each reporting period to determine if there is an indication of impairment. If an indication exists, the recoverable amount is estimated and compared to the carrying amount.

The methodology we use to test for goodwill and intangible impairment includes significant judgments, estimates, and assumptions. Impairment exists when the carrying amount of an asset, CGU, or group of CGUs exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is based on available data from binding sales transactions in an arm's-length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. In the absence of such data, other valuation techniques can be used to estimate fair value less costs to sell. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from budgets over an appropriate number of years and do not include restructuring activities that we are not yet committed to or significant future investments that will enhance the asset's performance of the CGU or group of CGUs being tested. The recoverable amount, when based on a discount cash flow methodology, is most sensitive to the discount rate used as well as the expected future cash inflows and the growth rate used for extrapolation purposes. To arrive at cash flow projections, we use estimates of economic and market information over the projection period, including growth rates in revenues, estimates of future expected changes in operating margins, and cash expenditures. Other significant estimates and assumptions include future estimates of capital expenditures and changes in future working capital requirements. We believe that our methodology provides us with a reasonable basis for determining whether an impairment charge should be taken. Note 11 in our 2011 audited consolidated financial statements provides more detail about our goodwill impairment test.

We performed our annual goodwill impairment test as at October 1, 2011. Market fluctuations caused our share price to decrease as at October 1, 2011, which adversely impacted our market capitalization. In addition, due to ongoing challenging economic conditions, the short-term performance of our US and International CGUs was weaker than expected. Considering these factors and their impact on the results of our goodwill impairment test, we concluded goodwill was impaired at October 1, 2011, by $90.0 million. We allocated $78.8 million of this charge to the United States CGU and $11.2 million to the International CGU and this charge is reflected as a non-cash charge to income.

Although we reduced the carrying amount of goodwill, if market and economic conditions deteriorate or if continued volatility in the financial markets causes declines in our share price, increases our weighted-average cost of capital, or changes valuation multiples or other inputs to our goodwill assessment, our goodwill may require testing for impairment between our annual testing periods. In addition, it is possible that changes in the numerous variables associated with the judgments, assumptions, and estimates we made in assessing the fair value of our goodwill could cause our CGUs to be further impaired. These impairments are non-cash charges that could have a material adverse effect on our consolidated financial statements but would not have any adverse effect on our liquidity, cash flows from operating activities, or debt covenants and would not have an impact on future operations.

Fair Value of Financial Instruments. Where the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments and reported expenses and income.

Taxes. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of deferred taxable income. Our income tax assets and liabilities are based on interpretations of income tax legislation across various jurisdictions in Canada and the United States. Our effective tax rate can change from year to year based on the mix of income among different jurisdictions, changes in tax laws in these jurisdictions, and changes in the estimated value of deferred tax assets and liabilities. Our income tax expense reflects an estimate of the cash taxes we expect to pay for the current year, as well as a provision for changes arising in the values of deferred tax assets and liabilities during the year. The tax value of these assets and liabilities is impacted by factors such as accounting estimates inherent in these balances, our expectations about future operating results, and previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authorities. Such differences in interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective legal entity's domicile. We assess the likelihood of recovering value from deferred tax assets, such as loss carryforwards, on a regular basis, as well as the deferred tax depreciation of capital assets, and adjust the tax provision accordingly.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax-planning strategies. If our estimates or assumptions change from those used in our current valuation, we may be required to recognize an adjustment in future periods that would increase or decrease our deferred income tax asset or liability and increase or decrease our income tax expense.

Accounting Developments

Recently Adopted
On transition to IFRS, we adopted the annual improvements to IFRS issued by the IASB in May 2010. The adoption of these amendments did not have an effect on our financial position or on the results of our operations.

Transition to IFRS
As required by the CICA, our 2011 consolidated financial statements, including comparative figures for the prior year, present our results and financial position in accordance with IFRS. Subject to certain transition elections, we consistently applied the same accounting policies in our opening IFRS statement of financial position at January 1, 2010, and throughout all periods presented, as if these policies had always been in effect. IFRS uses a conceptual framework similar to that used by Canadian GAAP, but there are differences in recognition, measurement, and disclosure. Whereas the adoption of IFRS did not have a material impact on our total operating, investing, or financing cash flows, it had an impact on our consolidated statements of financial position and consolidated statements of income as summarized below. For more details regarding the impact of IFRS on our 2011 consolidated financial results, refer to note 38 of our 2011 consolidated financial statements incorporated by reference herein.

As part of our conversion to IFRS, we assessed and concluded that IFRS had a minimal impact on our internal controls over financial reporting, disclosure controls and procedures, information technology systems, and business activities, including our budgeting and forecasting processes, debt covenants, key performance indicators, and compensation plans. For a summary of our conversion process, refer to our Management's Discussion and Analysis for the year ended December 31, 2010, under the Accounting Developments, Canadian—Recent Accounting Pronouncements—International Financial Reporting Standards section.

a) IFRS 1 exemptions
Most adjustments required on the transition to IFRS were made retrospectively against opening retained earnings at January 1, 2010. IFRS 1, "First-Time Adoption of International Financial Reporting Standards," provides entities adopting IFRS for the first time with a number of optional exemptions and, in certain areas, mandatory exceptions to the general requirement for full retrospective application of IFRS. We chose to apply the following elective exemptions:

- Business combinations.
  We chose the business combinations exemption in IFRS 1 not to apply IFRS 3, "Business Combinations," retrospectively to past business combinations. Accordingly, we did not restate business combinations that took place prior to January 1, 2010. Any goodwill arising on business combinations before the transition date was not adjusted from the carrying amount previously determined under Canadian GAAP as a result of applying this exemption except as required under IFRS 1. We chose this exemption mainly because the high volume of our business combinations would have made the retrospective application a time-consuming and complex exercise.
- Fair value or revaluation as deemed cost.
  We elected to measure buildings, classified as property and equipment and investment property, at their fair values and to use that amount as their deemed cost at January 1, 2010. The costs of buildings were determined by reference to their fair values at January 1, 2010, by professional valuators on an existing-use basis. Our consolidated opening statement of financial position was not materially impacted by this election. We chose this election to avoid the retrospective componentization of our buildings.

- Cumulative currency translation adjustment.
  We elected to deem the cumulative currency translation difference for all our foreign operations to be zero at January 1, 2010, by transferring the balance at that date to retained earnings. As a result, our January 1, 2010, cumulative translation adjustment balance of $50.8 million was reclassified, increasing our accumulated other comprehensive income and decreasing our retained earnings accordingly. Therefore, this election had a net zero impact on our opening equity. We chose this election to avoid the time-consuming retrospective calculation of our cumulative translation adjustment since inception.
- Share-based payments.
  We elected not to apply IFRS 2, "Share-Based Payments," to equity instruments granted on or before November 7, 2002, or granted after November 7, 2002, that vested before January 1, 2010. For cash-settled share-based payment transactions, called deferred share units, we elected not to apply IFRS 2 to liabilities that were settled before January 1, 2010. Our consolidated opening statement of financial position was not impacted by this election. We chose this election to avoid the time-consuming retrospective application of IFRS 2 to all equity instruments.

b) Impact of IFRS on our financial results

Summarized in the tables below is the impact of the changeover to IFRS on our opening equity at January 1, 2010, our net income for the fourth quarter ended December 31, 2010, and our net income for the year ended December 31, 2010. These results are based on IFRS issued and outstanding as of February 23, 2012.

January 1 and December 31, 2010, equity under IFRS

The impact of the changeover to IFRS on our opening equity at January 1, 2010, was a decrease in equity by $9.3 million from $547.4 million under Canadian GAAP to $538.1 million under IFRS. Our equity for the year ended December 31, 2010, decreased by $9.8 million from $625.5 million under Canadian GAAP to $615.7 million under IFRS. An explanation of the most significant differences between Canadian GAAP and IFRS that impacted our opening equity and December 31, 2010, equity are described in further detail in section c) Accounting Policies and Statement Presentation below.

			Increase (Decrease) to Equity *(In millions of Canadian dollars)*	
Standard	**Balance Sheet Category**	**Description of Change**	**December 31, 2010**	**January 1, 2010**
IFRS 3	Financial liabilities	Recognition of contingent consideration outstanding from past business combinations	(6.6)	(6.0)
IAS 36	Intangible assets	Recognition of intangible asset impairment	(1.0)	(2.4)
IFRS 3	Goodwill, Accounts Payable	Restructuring and acquisition-related costs	(1.7)	-
IAS 37	Provisions	Derecognition of estimated future sublease revenue not virtually certain at January 1, 2010	(0.4)	(1.7)
	Other	Other transitional adjustments	(0.1)	0.8
Total after-tax impact on equity			(9.8)	(9.3)

December 31, 2010, net income under IFRS

Our net income for the three months ended December 31, 2010, decreased by $1.8 million from $25.1 million under Canadian GAAP to $23.3 million under IFRS. Our Q4 10 basic and diluted earnings per share decreased by $0.04 from $0.55 under Canadian GAAP to $0.51 under IFRS. Other comprehensive loss decreased by $0.1 million from a loss of $8.4 million under Canadian GAAP to a loss of $8.3 million under IFRS in Q4 10.

Our net income for the year ended December 31, 2010, increased by $1.1 million from $93.6 million under Canadian GAAP to $94.7 million under IFRS. Our basic earnings per share increased by $0.02 from $2.05 to $2.07 under IFRS, and our diluted earnings per share increased by $0.02 from $2.04 to $2.06 under IFRS. Other comprehensive loss for 2010 increased by $1.5 million from a loss of $15.6 million under Canadian GAAP to a loss of $17.1 million under IFRS. An explanation of the most significant differences between Canadian GAAP and IFRS that impacted our net income for the quarter and year ended December 31, 2010, are described in further detail in section c) Accounting Policies and Statement Presentation below.

			Increase/(Decrease) to Net Income (After Tax) *(In millions of Canadian dollars)*	
Standard	**Income Statement Category**	**Description of Change**	**Quarter ended December 31, 2010**	**Year ended December 31, 2010**
IFRS 3	Administrative and marketing expenses	Restructuring and acquisition-related costs	(0.9)	(1.9)
IAS 39	Other finance income	Reclassification of the unrealized gain on the interest rate swap	-	1.5
IAS 37	Administrative and marketing expenses	Recognition of future sublease revenue that is virtually certain	0.1	1.4
IAS 36	Amortization of intangible assets	Intangible asset impairment and amortization	-	1.3
	Other	Other transitional adjustments	(1.0)	(1.2)
Total after-tax impact on net income for the quarter and year ended December 31, 2010			(1.8)	1.1

c) Accounting Policies and Statement Presentation

Summarized below are the key differences in our accounting policies between Canadian GAAP and IFRS that had the most significant impact on our consolidated opening statement of financial position and 2010 comparative financial statements. The following discussion also includes an analysis of how the IFRS changeover is expected to affect our future financial reporting.

- Presentation of Financial Statements (IAS 1)

Under International Accounting Standard (IAS) 1, a complete set of financial statements should include a statement of financial position, a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows, accounting policies, and explanatory notes. IAS 1 prescribes various formats and

requirements for statement presentation and disclosure. The adoption of IAS 1 resulted in several changes to the format of our financial statements, in expanded note disclosure, and in different classification and presentation of line items in our consolidated statements of financial position and consolidated statements of income.

We changed our current consolidated statements of equity and comprehensive income by moving all other comprehensive income items to new consolidated statements of comprehensive income. We reclassified certain statement of financial position line items into new categories, such as “investment property,” “provisions,” “financial assets,” and “financial liabilities.” We also reclassified bank charges from “administrative and marketing expenses” to “other net finance expense (income)” as well as the amortization of bonds and the realized gain on the sale of bonds from “other income” to “other net finance expense (income).” These reclassifications had a minimal impact on our debt covenants and key performance indicators.

- Business Combinations (IFRS 3)

Under IFRS 3, postacquisition exit/restructuring costs such as lease exits and acquisition-related costs such as advisory, legal, accounting, valuation, and other professional or consulting fees are expensed as incurred. Under Canadian GAAP, if certain criteria are met, many of these costs are recognized as liabilities in the purchase price allocation and impact goodwill. Therefore, we were required to derecognize these liabilities existing at January 1, 2010, if they did not meet IFRS criteria. As a result, on transition to IFRS, our accrual for exit/restructuring activities decreased by $250,000, and our retained earnings increased by $177,000 (net of tax). We recognized exit/restructuring costs of $0.2 million (net of tax) in Q4 10 and $0.7 million (net of tax) during 2010 in administrative and marketing expenses because under IFRS they are expensed as incurred. Also, we recognized $0.7 million (net of tax) in Q4 10 and $1.2 million (net of tax) in 2010 in legal and audit costs associated with acquisitions.

In addition, under IFRS 3, an acquirer recognizes contingent consideration as part of the consideration on acquisition and measures it at the acquisition date fair value. The remeasurement of the liability at fair value each quarter-end impacts earnings until the liability is settled. Under Canadian GAAP, a liability for contingent consideration is generally recognized when the contingency is resolved and the consideration becomes payable and is recorded as an adjustment to goodwill. As part of our IFRS transition, we fair valued, using an income approach, and recorded contingent consideration outstanding at January 1, 2010, from past business combinations. As a result, our other financial liabilities increased and our retained earnings decreased by $6.0 million. Contingent consideration was recorded at a discounted amount due to its long-term nature. In addition, in Q4 10, due to a change in the probability of meeting a performance target, we adjusted the fair value of contingent consideration, thereby decreasing other income by $0.5 million.

Under Canadian GAAP, initial purchase price allocations are generally subsequently adjusted through goodwill on a prospective basis. Under IFRS, if the initial accounting for a business combination can only be determined provisionally, subsequent significant adjustments to the allocation are retrospectively recognized from the date of acquisition. These adjustments (i.e., measurement period adjustments) are only those that confirm facts and circumstances existing at the acquisition date and may occur up to 12 months from the acquisition date. During the first quarter of 2011, we had significant measurement period adjustments relating to 2010 acquisitions; therefore, these adjustments were retroactively applied to 2010, impacting various line items in our consolidated statements of financial position.

As a result of the difference between Canadian GAAP and IFRS in accounting for business combinations, in future periods we may record less goodwill and, depending on the size of acquisition, our administrative and marketing expenses may increase due to postacquisition exit/restructuring costs and acquisition-related costs. We may also experience a restatement of prior periods’ purchase price allocations depending on whether we have significant measurement period adjustments.

- Impairment of Assets (IAS 36)

Under IAS 36, the impairment test for definite-lived intangible assets and long-lived assets is only one step. If the carrying amount exceeds the recoverable amount (on a discounted basis), the asset value is written down to the recoverable amount. Under Canadian GAAP, this test is a two-step process. In the first step, the carrying amount of an asset is compared to the expected undiscounted cash flows for the asset. If the carrying amount is more than the undiscounted cash flows, the fair value of the asset is determined. An impairment loss is recorded if the carrying amount is more than the fair value. In addition, unlike Canadian GAAP, IAS 36 requires, under certain circumstances, the reversal of impairment losses other than goodwill impairments.

Canadian GAAP also uses a two-step impairment testing approach for goodwill, whereas IFRS takes a one-step approach. Under IFRS, if the carrying amount of the CGU or group of CGUs exceeds the recoverable amount, an impairment loss is recognized. A CGU is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount is the higher of the fair value less costs to sell and the value in use. We performed an impairment test as at January 1, 2010, on transition to IFRS as required by IFRS 1. In addition, we performed our annual goodwill impairment test as at July 1, 2010, in accordance with the IFRS methodology. Due to the acquisitions completed in the third and fourth quarters of 2010, an impairment test was also performed at December 31, 2010. Based on the results of these reviews, we concluded that the recoverable amount of our CGUs exceeded their carrying amount and, therefore, goodwill was not impaired.

On January 1, 2010, we also conducted an impairment test on intangible assets using IFRS methodology as required by IFRS 1. As a result of this review, we recorded a $2.4 million (net of tax) non-cash impairment charge to retained earnings and decreased our intangible assets by $3.8 million. The impairment primarily reflected a decline in expected future cash flows from certain clients and a reduction in the value of a favorable lease in our New York, New York, office. The remaining carrying amount of these specific client relationships following this impairment charge was $5.1 million. The carrying amount of the favorable lease was reduced to zero. Because we recorded the impairment on January 1, 2010, the intangible asset amortization decreased by $49,000 (net of tax) in Q4 10 and by $0.2 million (net of tax) in 2010. Under Canadian GAAP, in the first half of 2010, we also recorded a $1.1 million (net of tax) non-cash impairment charge to income related to the same client relationships and lease advantage. Therefore, we added this impairment charge back to income in our 2010 IFRS results since, under IFRS, we accounted for this impairment in our opening statement of financial position. Additional client relationships were impaired under IFRS compared to Canadian GAAP due to the difference in methodology for impairment testing.

Because of the requirement to test goodwill on acquisitions before the end of our fiscal year, and depending on the number of acquisitions we carry out in the latter half of the year, we may experience more frequent impairment testing of goodwill under IFRS.

- Sublease Revenue Recognition (IAS 37)

Under IAS 37, an inflow of resources is recognized in the statement of financial position when it is virtually certain. Under Canadian GAAP, we establish lease exit liabilities when we cease to use office space under an operating lease arrangement. Included in the liability is the present value of the remaining lease payments offset by an estimate of future sublease revenue. Upon the adoption of IAS 37, we derecognized $2.6 million in future sublease revenue at January 1, 2010, since this revenue was not virtually certain at that date. As a result, our opening IFRS consolidated statement of financial position provision for lease exit liabilities increased by $2.6 million, and our retained earnings decreased by $1.7 million (net of tax). Administrative and marketing expenses decreased by $0.1 million (net of tax) in Q4 10 and by $1.4 million (net of tax) in 2010 because we recognized sublease revenues that became virtually certain.

In the future, we may experience a fluctuation in administrative and marketing expenses as a result of the timing of recognizing lease exit liabilities and sublease revenue.

- Hedge Accounting (IAS 39)

As at December 31, 2009, we used the “shortcut” method to prove the effectiveness of our interest rate hedge as permitted by Canadian GAAP. Per IAS 39, the shortcut method is not permitted to be used to assess hedge effectiveness. As a result, we discontinued hedge accounting (for IFRS accounting purposes only) on January 1, 2010, and removed the $1.5 million loss (net of tax) in cumulative other comprehensive income, decreasing our retained earnings accordingly.

Our interest rate swap expired in 2010. As its fair value approached zero, we reclassified the resulting unrealized gain from other comprehensive income to finance income. As a result, our other comprehensive income decreased by $1.5 million (net of tax), and our finance income increased by $1.5 million (net of tax) in the first three quarters of 2010. Since the interest rate swap expired in September 2010, there was no impact on Q4 10.

Recent Accounting Pronouncements

The listing below includes issued standards and interpretations that we reasonably expect to be applicable at a future date and intend to adopt when they become effective. Unless otherwise noted, the effective date of each standard below is the first annual period beginning on or after January 1, 2013, with retrospective application required and early adoption permitted. Unless otherwise noted, we are currently considering the impact of adopting these standards and interpretations on our consolidated financial statements and cannot reasonably estimate the effect at this time.

Financial Instruments. In November 2009, the IASB issued IFRS 9, “Financial Instruments” (IFRS 9), as part of the first of three phases to replace IAS 39, “Financial Instruments: Recognition and Measurement” (IAS 39). The first phase addressed the classification and measurement of financial assets. IFRS 9 replaces the multiple classification and measurement models of IAS 39 with a single model that has only two classification categories: amortized cost and fair value.

In October 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities and for classification and measurement of financial liabilities. The reissued IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, instead of in profit and loss.

In December 2011, the IASB issued amendments to IFRS 9 (the amendments). The amendments result in a deferred effective date for IFRS 9, from annual periods beginning on or after January 1, 2013, to January 1, 2015, with early adoption still permitted. This deferral makes it possible for all phases of the replacement of IAS 39 to have the same mandatory effective date. The amendments provide relief in restating prior periods, requiring instead that entities provide disclosures to allow financial statement users to understand the initial impact of applying IFRS 9.

Financial Instruments: Presentation. In December 2011, the IASB issued amendments to IAS 32, “Financial Instruments: Presentation” (the amendments). The amendments clarify when an entity has a legally enforceable right to set off, as well as clarifying the application of offsetting criteria related to some settlement systems that may be considered the same as net settlement. The amendments to IAS 32 are applicable for annual periods beginning on or after January 1, 2014.

Financial Instruments: Disclosures. In October 2010, the IASB issued amendments to IFRS 7, “Financial Instruments: Disclosures” (the amendments). The amendments require additional qualitative and quantitative disclosure associated with the transfers of financial assets. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011. Early adoption is permitted. The new disclosure requirements are required to be applied prospectively. The adoption of the amendments is not expected to have a material impact on our consolidated financial statements.

In December 2011, the IASB issued further amendments to IFRS 7 related to the disclosures of offsetting financial assets and financial liabilities. These amendments require disclosure of information that will allow financial statement users to assess the impact of an entity’s netting arrangements, including rights of set-off associated with an entity’s recognized financial assets and liabilities, on the entity’s statement of financial position.

Consolidated Financial Statements. In May 2011, the IASB issued IFRS 10, “Consolidated Financial Statements” (IFRS 10), which replaces Standing Interpretations Committee (SIC)-12, “Consolidation—Special Purpose Entities,” and parts of IAS 27, “Consolidated and Separate Financial statements.” The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company’s consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.

Joint Arrangements. In May 2011, the IASB issued IFRS 11, “Joint Arrangements” (IFRS 11), to establish principles for financial reporting by parties to a joint arrangement. This standard supersedes IAS 31, “Interests in Joint Ventures” (IAS 31), and SIC-13, “Jointly Controlled Entities—Non-Monetary Contributions by Venturers.” Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures; the classification of a joint arrangement focuses on the nature and substance of the rights and obligations of the arrangement. IFRS 11 requires that joint ventures be accounted for using the equity method, rather than proportionate consolidation.

Investments in Associates and Joint Ventures. In May 2011, the IASB amended IAS 28, “Investments in Associates and Joint Ventures” (IAS 28), previously IAS 28, “Investments in Associates.” The amended IAS 28 sets out the accounting for investments in associates and the requirements for application of the equity method when accounting for investments in associates and joint ventures.

Disclosure of Interests in Other Entities. In May 2011, the IASB issued IFRS 12, “Disclosure of Interests in Other Entities” (IFRS 12). IFRS 12 combines the disclosure requirements for an entity’s interests in subsidiaries, joint arrangements, associates, and structured entities into one comprehensive disclosure standard. Many of the disclosure requirements were previously included in IAS 27, IAS 28, IAS 31, and SIC-12 while others are new. IFRS 12 requires that an entity discloses the significant judgment and assumptions it has made in determining whether it controls an entity.

Fair Value Measurement. In May 2011, the IASB issued IFRS 13, “Fair Value Measurement” (IFRS 13). IFRS 13 provides guidance on how to measure fair value under IFRS when fair value is required or permitted by other standards. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 requires enhanced disclosure for fair value. IFRS 13 is applied prospectively for annual periods beginning on or after January 1, 2013, and comparative disclosures for prior periods are not required.

Presentation of Financial Statements. In June 2011, the IASB issued amendments to IAS 1, “Presentation of Financial Statements” (IAS 1), to improve the consistency and clarity of items presented in Other Comprehensive Income (OCI). The amendments require that items presented in OCI be grouped into two categories: items that

may be reclassified into profit or loss at a future date, and items that will never be reclassified into profit or loss. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

Employee Benefits. In June 2011, the IASB issued amendments to IAS 19 “Employee Benefits” (the amendments). Among other changes, the amendments impact the timing of the recognition of termination benefits. The revised standard requires termination benefits outside of a wider restructuring to be recognized only when the offer becomes legally binding and cannot be withdrawn. In the context of a wider restructuring, termination benefits are recognized at the same time as other restructuring costs.

Materiality

We determine whether or not information is “material” based on whether we believe that a reasonable investor’s decision to buy, sell, or hold securities in our Company would likely be influenced or changed if the information is omitted or misstated.

Definition of Additional IFRS Measures

IFRS mandates certain minimum line items for financial statements and requires presentation of additional line items, headings, and subtotals when such presentation is relevant to an understanding of a company’s financial position and performance. Because IFRS requires such additional GAAP measures, they are not non-IFRS financial measures but are considered additional IFRS measures. This Management Discussion and Analysis includes reference to and uses terms that are considered additional IFRS measures. We believe that these measures, defined here, are useful for providing investors with additional information to assist them in understanding components of our financial results.

Gross Revenue and Net Revenue. Our Company provides knowledge-based solutions for infrastructure and facilities projects through value-added professional services, principally under fee-for-service agreements with clients. In the course of providing services, we incur certain direct costs for subconsultants, equipment, and other expenditures that are recoverable directly from our clients. The revenue associated with these direct costs is included in our gross revenue. Since such direct costs and their associated revenue can vary significantly from contract to contract, changes in our gross revenue may not be indicative of our revenue trends. Accordingly, we also report net revenue, which is gross revenue less subconsultant and other direct expenses, and analyze our results in relation to net revenue rather than to gross revenue.

Gross Margin. We monitor our gross margin percentage levels to ensure that they are within an established acceptable range for the profitability of our operations. Gross margin is calculated as the difference of net revenue minus direct payroll costs. Direct payroll costs include the cost of salaries and related fringe benefits for labor hours that are directly associated with the completion of projects. Labor costs and related fringe benefits for labor hours that are not directly associated with the completion of projects are included in administrative and marketing expenses.

Definition of Non-IFRS Measures

This Management’s Discussion and Analysis includes references to and uses terms that are not specifically defined in IFRS and do not have any standardized meaning prescribed by IFRS. These non-IFRS measures may not be comparable to similar measures presented by other companies. We believe that these measures, defined here, are useful for providing investors with additional information to assist them in understanding components of our financial results.

Working Capital. We use working capital as a measure for assessing our overall liquidity. Working capital is calculated by subtracting current liabilities from current assets. There is no directly comparable IFRS measure for working capital.

Current Ratio. We also use current ratio as a measure for assessing our overall liquidity. Current ratio is calculated by dividing current assets by current liabilities. There is no directly comparable IFRS measure for current ratio.

Net Debt to Equity Ratio. As part of our overall assessment of our financial condition, we monitor our net debt to equity ratio to ensure that it is maintained within our established range. Our net debt to equity ratio is calculated as long-term debt, plus the current portion of long-term debt, plus bank indebtedness less cash and cash held in escrow, all divided by shareholders’ equity. There is no directly comparable IFRS measure for net debt to equity ratio.

Return on Equity. As part of our overall assessment of value added for shareholders, we monitor our return on equity. Return on equity is calculated as net income for the last four quarters divided by the average shareholders' equity over each of the last four quarters. There is no directly comparable IFRS measure for return on equity.

Net Income before Goodwill Impairment. We add back goodwill impairment charges to net income since these charges are non-cash in nature and do not impact our operating results. We use this measure to evaluate our operating performance. There is no directly comparable IFRS measure for net income before goodwill impairment.

EBITDA. EBITDA represents net income before interest expense, income taxes, depreciation of property and equipment, amortization of intangible assets, and goodwill and intangible impairments. This measure is referenced in our credit facility as part of our debt covenants, and we use it as part of our overall assessment of our operating performance. It is defined as net income for such period, plus all amounts deducted in the calculation thereof on account of interest expense, income taxes, depreciation, amortization, goodwill and intangible impairments, or any minority interest. There is no directly comparable IFRS measure for EBITDA.

EBITDAR. This measure is referenced in our credit facility as part of our debt covenants. It is defined in the credit facility as an amount equal to EBITDA plus building rental obligations net of common area costs, taxes, charges, and levies. There is no directly comparable IFRS measure for EBITDAR.

Debt to EBITDA Ratio. This ratio is referenced in our credit facility agreement as part of our debt covenants. It is defined in the credit facility as the sum of permanent principal and interest payments in respect of the debt, plus building rental obligations net of common area costs, taxes, charges, and levies divided by EBITDA. There is no directly comparable IFRS measure for debt to EBITDA ratio.

Net Debt to EBITDA. As part of our assessment of our capital structure we monitor net debt to EBITDA. This measure is referenced in our credit facility as part of our debt covenants as well. It is defined as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash and cash held in escrow, divided by (2) EBITDA, which is calculated as income before income taxes plus net interest expense, amortization of intangible assets, depreciation of property and equipment, and goodwill and intangible impairment. There is no directly comparable IFRS measure for net debt to EBITDA.

EBITDAR to Debt Service Ratio. This ratio is referenced in our credit facility agreement as part of our debt covenants. It is defined in the credit facility as EBITDAR divided by permanent principal and interest payments in respect of the debt, plus building rental obligations net of common area costs, taxes, charges, and levies. There is no directly comparable IFRS measure for EBITDAR to debt service ratio.

Backlog. As part of our assessment of our financial condition, we monitor our backlog. We define backlog as the total value of secured work that has not yet been completed that a) is assessed by management as having a high certainty of being performed by either the existence of an executed contract or work order specifying the job scope, value, and timing or b) has been awarded to us through an executed binding or non-binding letter of intent or agreement describing the general job scope, value, and timing. Management must be reasonably assured that the letter of intent or agreement will be finalized in the form of a formal contract. Backlog is not a recognized performance measure under IFRS and does not have any standardized meaning prescribed by IFRS. We believe

that backlog is a useful means of projecting activity in future periods. There is no directly comparable IFRS measure for backlog.

RISK FACTORS

Forward-looking statements
From time to time, management makes forward-looking statements. The following factors, among others, could cause our actual results to differ materially from those projected in our forward-looking statements:

- Global capital market activities
- Fluctuations in interest rates or currency values
- The effects of war or terrorist activities
- The effects of disease or illness on local, national, or international economies
- The effects of disruptions to public infrastructure such as transportation, communications, power, or water
- Global economic or political conditions
- Regulatory or statutory developments
- The effects of competition in the geographic or business areas in which we operate
- The actions of management
- Technological changes

Investors and the public should carefully consider these factors, other uncertainties, and potential events, as well as the inherent uncertainty of any projections, when relying on our forward-looking statements to make decisions with respect to Stantec. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time by the organization or on its behalf.

Risks
While management remains optimistic about our ability to successfully carry out our long-term objectives, like all professional infrastructure and facilities services firms, we are exposed to a number of risks and uncertainties. We have various strategies and practices to mitigate these risks and uncertainties as further discussed below. When appropriate, we realign our risk disclosures as part of our continuous monitoring and annual assessment of our risks. The most significant of these risks are listed below in order of seriousness—a combination of the impact on our Company and the probability of occurrence. Readers of this report should consider carefully the risks and uncertainties described below, together with all of the other information in this report. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occurs, the effects described below in respect of each risk are not the only ones we face and our business, financial condition, results of operations, and future prospects could be materially and adversely affected in ways we do not currently anticipate.

Economic downturns could have a negative impact on our business since our clients may curtail investment in infrastructure projects or may experience difficulty paying for services performed.

Demand for the services we offer has been, and is expected to continue to be, subject to significant fluctuations due to a variety of factors beyond our control, including economic conditions. During economic downturns, the ability of both private and government entities to make expenditures may decline significantly, which could have a material adverse effect on our revenue and profitability. We cannot be certain that economic or political conditions

will generally be favorable or that there will not be significant fluctuations that adversely affect our industry as a whole or the key markets we target.

The professional consulting services industry is highly competitive, which could have a negative impact on our profit margins and market share.

We have numerous competitors for the services we offer in the markets we serve. The principal competitive factors include reputation, experience, breadth and quality of services, technical proficiency, local offices, fees, and service delivery. The number and identity of competitors vary widely with the type of service we provide. For small to medium-sized projects, we compete with many engineering, architecture, and other professional consulting firms. For larger projects, there are fewer but still many competitors, and many of these competitors have greater financial and other resources than we do. Although we compete with other large private and public companies in certain geographic locations, our primary competitors are small and midsized privately held regional firms in the United States, Canada, and internationally. Generally, competition places downward pressure on our contract prices and profit margins and, ultimately, operating income. However, such impact is difficult to quantify. Intense competition is expected to continue in these markets, presenting significant challenges to our ability to maintain strong growth rates and historical profit margins. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience an overall reduction in our profits. We may not be able to compete successfully with such competitors, and such competition could cause us to lose customers, increase expenditures, or reduce pricing, any of which could have a material adverse effect on our earnings and share price.

The nature of our business exposes us to potential liability claims and contract disputes, which may reduce our profits.

Our operations are subject to the risk of third-party claims in the normal course of business, some of which may be substantial. We have been and may in the future be named as a defendant in legal proceedings where parties may make a claim for damages or other remedies with respect to our projects or other matters. Any litigation resulting from our business operations could distract management's attention from normal business operations, divert financial resources to the defense of such claims, or result in significant attorney fees and damage awards for which we may not be fully insured and which could harm our reputation. Any of these circumstances could adversely affect our profitability.

We may be unsuccessful in our goal of growing our business organically, which could lead to a reduction in our market share.

We may not be able to increase the size of our operations organically. As competition increases in our industry, we may not be able to secure major projects and attract additional qualified staff. Organic growth is also achieved by meeting client expectations through effective quality project delivery and by expanding services provided to our existing clients. If we are unable to effectively compete for projects, expand services to existing clients, and attract employees, we will have difficulty increasing our market share and share price and achieving our growth plan.

Changing markets may offer opportunities to provide services through alternate models. Failure to respond to these market demands may result in lost revenues.

Our business has historically followed a fee-for-service model. Some clients in select markets and practice areas are demanding new service delivery options, including P3s. Failure to respond to these market demands may result in clients awarding projects to our competitors, resulting in lost revenues.

At any given time, a significant portion of our revenue may be derived from a specific geographic region, industry, or sector. Consequently, our business could suffer materially if there were a downturn in that geographic region, industry, or sector.

Our three-dimensional business model mitigates risk by diversifying our operations across several geographic regions, practice area units, and all phases of the infrastructure and facilities project life cycle. If at any given time a significant portion of our revenue is derived from a specific geographic region, industry, or sector, our business may be impacted by a number of factors, which may include the following:

- Changes in employment levels and other general economic conditions
- Changes in interest rates and in the availability, cost, and terms of financing
- The impact of present or future environmental, zoning, or other laws and regulations
- Changes in commodity prices
- Changes in real estate tax rates and assessments and other operating expenses
- Changes in levels of government infrastructure spending and fiscal policies
- Natural or human-made disasters and other factors that are beyond our control

If we are unable to adjust our workforce or service mix to a downturn in a geographic region, industry, or sector in a timely manner, it could have a material adverse effect on our overall business, including the results of our operations and liquidity.

It is important to note that we derive significant revenue from contracts with or through government agencies. Any disruption in government funding or in our relationship with those agencies could adversely affect our business, financial position, results of operations, and cash flows. We believe that the success and further development of our business depends, in part, on the continued funding of these government programs and on our ability to secure government work. However, governments may not have available resources to fund these programs or may not fund these programs even if they have available financial resources. Some of these government contracts are subject to renewal or extensions annually, so we cannot be assured of our continued work under these contracts in the future.

Interruption to our systems and network infrastructure could adversely impact our ability to operate.

We rely heavily on computer systems, communications technology, and related tools in order to operate properly. If we are unable to continually add software and hardware, effectively upgrade our systems and network infrastructure, maintain our key information technology personnel, and take other steps to improve the efficiency of and protect our systems, our service delivery and revenues could be interrupted or delayed. In addition, our computer and communications systems and operations could be damaged or interrupted by natural disasters, telecommunications failures, acts of war or terrorism, computer viruses, physical or electronic security breaches, cyber security breaches, or similar events. Any of these or other events could cause system interruptions, delay, and loss of critical data, could delay or prevent operations, and may adversely affect our operating results, liquidity, or financial position. The adverse financial impact of these events could include, for example, remediation costs, costs associated with increased protection, lost revenues, litigation costs, and reputational damage leading to lost clients.

We bear the risk of cost overruns in a significant number of our contracts. We may experience reduced profits or, in some cases, losses, under these contracts if costs increase above our estimates.

We conduct our business under various types of contractual arrangements, most of which are fee-for-service agreements. However, approximately 74% of the dollar value of our contracts in 2011 was based on a fixed-fee or

time-and-materials contract with an upset limit. Under fixed-fee contracts, we perform services at a stipulated price. Under time-and-materials contracts with not-to-exceed provisions, we are reimbursed for the number of labor hours expended at an established hourly rate, plus the cost of materials incurred, subject, however, to a stated maximum dollar amount for the services to be provided. In both of these types of contracts, we agree to provide services based on our estimate of the costs a particular project will involve. These estimates are established, in part, on cost and scheduling projections, which may prove to be inaccurate, or circumstances may arise, such as unanticipated technical problems, weaknesses in project management, difficulties in obtaining permits or approvals, changes in local laws, or delays beyond our ability to control, that make our projections inaccurate. The underestimation of costs for these types of contracts may cause us to incur losses or result in a project not being as profitable as we expect. In addition, projects that are not completed on schedule further reduce profitability because our staff must continue to work on them longer than anticipated, which may prevent staff from pursuing and working on new projects. Projects that are over budget or not on schedule may also lead to client dissatisfaction.

Uncertainties associated with an acquisition may cause a loss of employees.

The ability to attract and retain trained professionals is one of the key drivers of our business and results. Therefore, the success of an acquisition depends in part on our ability to retain key employees of the acquired firm. Competition for qualified staff can be intense. In addition, key employees may depart because of issues relating to the uncertainty and difficulty of the completion of the acquisition or integration or a desire not to remain with the combined company. Accordingly, we may be unable to retain key acquired employees to the extent projected at the time of acquisition.

We may experience difficulties in integrating an acquired entity's business into our existing operations and so may not realize the anticipated benefits of the acquisition.

Our rationale for acquiring a firm is, in part, predicated on our ability to leverage the combined strengths of the two companies to increase our opportunities and revenue. Integrating an acquired firm's operations and staff into our own is a complex endeavor, and we may not be able to complete the process rapidly or without encountering difficulties. Successful integration requires, among other things, the assimilation of the firm's professional services, sales and marketing operations, and information and software systems, as well as the coordination of employee retention, hiring, and training operations. The diversion of management's attention to the integration effort and any difficulties encountered in combining operations could adversely affect the combined company's business and prevent it from realizing the anticipated improvement in professional service offerings, market penetration, profitability, and geographic presence that formed the foundation for the acquisition.

Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of future earnings.

As of December 31, 2011, our backlog was approximately $1.1 billion. However, the revenue projected in our backlog is determined by the judgment of management and may not be realized or, if realized, may not result in profits. Projects may remain in our backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur from time to time with respect to contracts reflected in our backlog. Backlog reductions can adversely affect the revenue and profits we actually receive from contracts reflected in our backlog. Finally, poor project or contract performance could also negatively impact our profits.

To attain our goal of increasing the size and profitability of our operations, we may pursue and invest in business opportunities outside of North America. Unfamiliarity with markets and political environments may impair our ability to increase international revenues.

Because of our international expansion strategy, we are now and will be increasingly subject to additional risks, including risks related to complying with a wide variety of local, national, and international laws; the difficulties and costs of staffing and managing international operations; changes in regulatory requirements; changes in exchange rates; multiple and possibly overlapping tax structures; and political and economic instability. In addition, we may face competition in other countries from companies that may have more experience with operations in such countries or with international operations generally.

Goodwill and intangible assets acquired from our acquisitions represent substantial portions of our total assets. If external market factors, such as adverse stock market conditions and a decline in our share price occur, or if our acquired businesses do not perform as expected, we may be required to write down the value of our goodwill and intangible assets, which could have a material adverse effect on earnings.

Goodwill and intangible assets represent approximately 43.8% of our total assets. When we acquire a consulting business, a significant portion of the purchase price for the acquisition is generally allocated to goodwill and identifiable intangible assets. The amount of the purchase price allocated to goodwill is determined by the excess of the purchase price paid by us to acquire the consulting business over the fair value of the net identifiable assets acquired. IFRS rules require that we review the carrying amount of goodwill and intangibles assets at each reporting date to determine if there are indicators of impairment. As well, under IFRS we are required to perform an annual impairment test of our goodwill. A deterioration in our share price and market capitalization, the operating results of such acquired businesses, or the failure of these businesses to meet our expectations may adversely affect the carrying amount of our goodwill and intangible assets and could result in an impairment of the goodwill or intangible assets associated with such businesses. As part of our annual review of goodwill for impairment, we consider the market capitalization and the actual performance of each of our cash-generating units compared to our expectations and update our future expectations for such cash-generating units. An impairment of goodwill or intangible assets would be recorded as a charge in our income statement, which could have a material effect on our earnings.

One of our primary competitive advantages is our reputation. If our reputation is damaged due to client dissatisfaction, our ability to win additional business may be materially damaged.

Although we serve many diverse clients and are not dependent on any one client or group of clients to sustain our business, our reputation for delivering effective and efficient solutions for complex projects is one of our most valuable business development assets. Damage to our reputation due to client dissatisfaction represents a significant risk to our ability to win additional business both from existing clients and from those with whom we may seek to work with in the future.

Our employees may face environmental, health, and safety risks and hazards in the workplace resulting in injury or lost time.

Our Health, Safety & Environment program is aimed at reducing risks to people, the environment, and our business; however, our employees are subject to environmental, health, and safety risks in the course of their employment. A number of these risks could result in personal injury, loss of life, or environmental and other damage to our property or the property of others. Alternatively, we could be exposed to civil and/or statutory liability arising from injuries or deaths because of inadequate health and safety policies and practices. We may become liable for damages arising from these events against which we cannot insure or may elect not to insure

because of high premium costs or other reasons. We also risk incurring additional costs on projects that have sustained environmental, health, and safety incidents because they may require additional time to complete or because employee time may be lost due to injury.

Because we report our results in Canadian dollars and a substantial portion of our revenue and expenses is recorded in US dollars, our results are subject to currency exchange risk.

Although we report our financial results in Canadian dollars, a substantial portion of our revenue and expenses is generated or incurred in US dollars. For the purposes of financial reporting under IFRS, revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the average exchange rates prevailing during the year. We expect to continue to report our financial results in Canadian dollars in accordance with IFRS. Therefore, if the Canadian dollar were to strengthen relative to the US dollar and other currencies, the amount of net income from our non-Canadian-dollar-denominated business could decrease, which could have a material adverse effect on our business, financial condition, and results of operations.

The value of the Canadian dollar relative to the US dollar is subject to volatility. For example, the average exchange rates for the years ended December 31, 2011; December 31, 2010; and December 31, 2009, for C$1.00 were US$1.01, US$0.97, and US$0.88, respectively. Furthermore, this volatility may continue in the future, and, as discussed above, any increases in the strength of the Canadian dollar relative to the US dollar may have a negative impact on the results of our operations.

From time to time, we enter into forward contracts to manage risk associated with net operating assets outside our US operations denominated in US dollars (other than with respect to net operating assets that are owned by US subsidiaries). These derivative contracts, which are not accounted for as hedges, are marked to market, and any changes in the market value are recorded in income or expense when they occur. Consequently, we may not benefit from any weakening of the Canadian dollar relative to the US dollar.

We may be unsuccessful in our goal to increase the size and profitability of our operations by acquisitions, which could lead to a reduction in our market share and competitiveness as our industry consolidates.

We may not be able to locate suitable acquisitions or to consummate any such transactions on terms and conditions that are acceptable to us. As the professional services industry consolidates, suitable acquisition candidates are expected to become more difficult to locate and may only be available at prices or under terms that are less favorable than in the past. In addition, some of our competitors are much larger than us, have greater financial resources, and can better afford to pay a premium for potential acquisition candidates. If we are unable to effectively compete for or locate suitable acquisitions, we will have difficulty achieving our growth plan.

We may not be able to successfully manage our growth, which could lead to a decline in profitability.

As we continue to grow by acquisitions and organically, we may be faced with challenges of effectively and efficiently managing our growth. Expansion into new geographic regions, industry sectors, and project delivery styles requires changes in organizational structure, reporting lines, and leadership engagement. Any of these changes may interfere with the established processes for managing our business and could result in a decline in profitability.

We have pursued and may continue to pursue and invest in business opportunities that are not directly within our core competencies. These new business opportunities may require a disproportionate amount of management's time to develop profitably and may not perform as expected.

Acquisitions may bring us into new practice areas and/or geographic locations and expose us to additional business risks that are different from those we have historically experienced. Consequently, we may depend in part on the knowledge and expertise of the professional service providers and management teams who we acquire in order to make these business opportunities profitable. New business opportunities frequently bring a learning curve that may require substantial management time and changes to our business systems that may create a distraction from our day-to-day business operations. If these business opportunities do not perform as anticipated or are not profitable, our earnings may be materially adversely affected and we may experience a partial or complete loss of our investment.

If we experience delays and/or defaults in customer payments, we could suffer liquidity problems or be unable to recover our expenditures.

Because of the nature of our contracts, at times we commit resources to projects prior to receiving payments from the customer in amounts sufficient to cover expenditures incurred. Delays in customer payments may require us to make a working capital investment. If a customer defaults in making payments on a project to which we have devoted significant resources, it could have a material negative effect on our liquidity as well as on the results of our operations. In our experience, clients who withhold payment have a higher tendency toward dissatisfaction with the services we provide and are more likely to bring claims against us.

We may have difficulty in attracting and retaining qualified staff, which may affect our reputation in the marketplace and restrict our ability to implement our business strategy.

We derive our revenue almost exclusively from services performed by our employees. Consequently, one of the key drivers of our business is our ability to attract and retain qualified staff. However, we may not be able to attract and retain the desired number of qualified staff over the short or long term. There is significant competition for staff with the skills necessary for providing our services from major and boutique consulting, engineering, public agency, research, and other professional services firms. Our inability to attract and retain qualified staff could impede our ability to secure and complete engagements, in which event we may lose market share and our revenue and profits could decline. In addition, if our employees were to leave our Company and become competitors of ours, we could lose other employees and some of our existing clients who have formed relationships with such former employees. We could also lose future clients to a former employee as a new competitor. In any of these events, we could lose revenue and our profitability could decline.

We may be unable to secure the additional capital required to fund our acquisition strategy, which could lead to a reduction in our market share and competitiveness. Furthermore, if we need to sell or issue additional common shares and/or incur additional debt to finance future acquisitions, our share ownership could be diluted and the results of our operations could be adversely affected.

In order to fund future acquisitions, we will need access to substantial amounts of capital. However, we may be unable to obtain the necessary capital to finance a successful acquisition program while meeting our other cash needs. If we are unable to obtain additional capital on acceptable terms, we may be required to reduce the scope of our anticipated expansion, which may negatively affect our future competitiveness and results of operations.

Using internally generated cash or taking on debt to complete acquisitions could substantially limit our operational and financial flexibility. The extent to which we will be able or willing to use our common shares for acquisitions

will depend on the market value of our shares from time to time and the willingness of potential sellers to accept our shares as full or partial payment. Where the consideration for an acquisition includes Stantec shares, in the event the acquired entity's shareholders subsequently decide to dispose of Stantec shares following the acquisition, there could be an increased supply of our common shares on the market. If the supply of our common shares is significantly greater than the associated demand, the market price of our common shares may significantly decline and may not recover. We may also incur additional debt if we acquire another company, and this could increase our debt repayment obligations, which could have a negative impact on our future liquidity and profitability. During 2010, we filed a short-form prospectus with all provincial securities regulatory authorities in Canada and a corresponding base shelf registration statement with the SEC. Pursuant to the prospectus, we may issue up to $300 million in common shares during a 25-month period, effective May 6, 2010.

We have no assurance that existing debt financing will continue to be available from our current lenders or other financial institutions on similar terms.

Adverse weather conditions and natural or other disasters may delay or eliminate net revenue that otherwise would have been realized and, thus, adversely affect our profitability.

Our field activities are generally performed outdoors and may include professional surveying, resident engineering services, field data surveys and collection, archeology, geotechnical investigations and exploratory drilling, construction oversight and inspection, plant start-up and testing, and plant operations. Extreme weather conditions and natural or other disasters, such as earthquakes, fires, floods, influenza epidemics or pandemics, and similar events, may cause postponements in the initiation and/or completion of our field activities and may hinder the ability of our employees to arrive at work, which may result in a delay or elimination of revenue that otherwise would be recognized while certain costs continue to be incurred. Adverse weather conditions or disasters may also delay or eliminate the start and/or completion of various phases of work relating to other engineering services that commence concurrent with or subsequent to our field activities. Any delay in the completion of our services may require us to incur additional non-compensable costs, including overtime work, that are necessary to meet our clients' schedules. Due to various factors, a delay in the commencement or completion of a project may also result in the cancellation of contracts, adversely affecting our net revenue and profitability.

Our share price has historically been subject to volatility. Accordingly, the price of our common shares may decrease in the future due to a number of Company and industry-specific or general economic factors.

Our share price has experienced volatility in the past and will likely be volatile in the future. For example, the intraday high and low prices for our common shares on the Toronto Stock Exchange (TSX) and New York Stock Exchange (NYSE) during the 52 weeks ended December 31, 2011, were $30.33 and $21.50, respectively, and US$31.89 and US$20.96, respectively.

The price of our common shares may fluctuate substantially in the future due to, among other things, the following factors: (1) the failure of our quarterly or annual operating results to meet expectations; (2) the reaction of markets and securities analysts to announcements and developments involving our Company; (3) adverse developments in the worldwide, Canadian, or US economies, the financial markets, or the engineering and consulting services market; (4) changes in interest rates; (5) announcements by key competitors; (6) additions or departures of key staff; (7) announcements of legal proceedings or regulatory matters; and/or (8) general volatility in the stock market.

The market prices of the publicly traded shares of many companies, including our Company, are often impacted by general market volatility. Accordingly, share prices can go up or down unrelated to the operating performance of such companies.

Uncertainties associated with an acquisition or merger or with Stantec as a new owner may cause an acquired entity to lose customers.

An acquired company's customers may, in response to the announcement of the acquisition, delay or defer decisions concerning their use of the acquired company's services because of uncertainties related to the consummation of the acquisition, including the possibility that the acquisition may not be completed if all the conditions of the transaction are not fulfilled. This circumstance could have an adverse effect on our revenue and profitability.

We could be exposed to civil and/or statutory liability to employees including claims arising from non-payment of wages, discrimination, and/or misclassification regarding overtime entitlements.

We are required to comply with state, provincial, and federal employment laws, as well as with internal policies and common law concerning the payment of wages, discrimination, employee classification, and treatment of employees generally. Failure to comply with any of these legal obligations could result in a material cost to the Company. If our human resource policies and practices, including employee training and supervision programs, are inadequate, we may face the additional risk of losing the support of our employee base, which could result in a failure to attract and retain key staff. We maintain insurance coverage for our operations, including employment practices liability insurance; however, it may not be sufficient to cover all liability that could arise.

Inadequate internal controls or disclosure controls may result in events that could adversely affect our business.

Inadequate internal controls or disclosure controls over financial reporting could result in material misstatements in our financial statements and related public disclosures. Inadequate controls could also result in system downtime, delayed processing, inappropriate decisions based on non-current internal financial information, fraud, or the inability to continue our business operations.

We may not be able to meet legal and regulatory requirements related to corporate governance, labor relations, industry standards, contracting practices, and the environment.

We are subject to a variety of regulations and standards and compliance with all such obligations could materially increase our costs. Our business model includes a variety of practice areas and jurisdictions, each with its own set of rules and regulations. In order to comply with increasingly complex laws and regulations, we may be required to increase the fees we charge to our clients. This could impact our ability to remain competitive.

Our insurance may not cover all claims for which we may be liable, and expenses related to insurance coverage may adversely impact our profitability.

Although we believe that we have made adequate arrangements for insuring against potential liability claims, these arrangements may be insufficient to cover a particular risk. When it is determined that we have liability, we may not be covered by insurance, or, if covered, the dollar amount of these liabilities may exceed our policy limits. Our professional liability coverage is on a "claims-made" basis, covering claims actually made during the period when the insurance policy is in effect. Even where insurance is maintained for such exposures, the policies have deductibles. Any liability not covered by our insurance, in excess of our insurance limits, or covered by insurance

but subject to a high deductible could result in a significant cost to us, which may reduce our profits and cash available for operations. Moreover, we may become subject to liability that cannot be insured against or against which we may choose not to insure because of high premium costs or for other reasons. Our expansion into new services or geographic areas could result in our failure to obtain coverage for these services or areas, or the coverage being offered may be at a higher cost than our current coverage. Due to the current insurance environment, including losses sustained by insurers in their investments, we may experience increases in our insurance premiums. We may not be able to pass these increases on to our clients in increased billing rates.

Reliance on key personnel who may be unable or unwilling to continue their employment may adversely impact our business.

Our operations are dependent on the abilities, experience, and efforts of senior management and other key personnel. If any of these individuals are unable or unwilling to continue their employment with us, and if we do not have a well-developed succession plan prior to their departure, our business, operations, and prospects may be materially adversely affected. The transition of key leadership positions may result in increased training costs as well as a loss of institutional knowledge, industry relationships, or expertise developed by the departing leader.

If fraud occurs and remains undetected, we may have a loss of assets or misstatement in our financial statements.

Fraud may occur and remain undetected, resulting in a loss of assets and/or misstatement in our financial statements and related public disclosures.

Workplace violence or mischief may result in claims and losses.

Aggrieved or disturbed employees may cause intentional damage to personnel or property, which may result in employee claims, damage to our reputation, and damage to physical assets.

Managing Our Risks

We have an Enterprise Risk Management Program that is overseen by our Audit and Risk Committee. At least annually, we perform a formal assessment of the key risks facing our Company. The assessment is performed using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Risk Assessment model. Risks and the corresponding mitigating factors are identified and assessed by our leadership.

Business Model and Differentiation
We mitigate our operating, market, and growth and acquisition integration risks through our business strategy and other measures. As a professional services firm, we focus on design. We typically do not take on construction risk or contribute equity in projects. We focus our business on two client types: regional/local and global/national. Having a local presence connects us to local clients and positions us through long-term relationships to understand their business, bid on their projects, and secure work with them. From this local base, we are also able to engage top-tier experts from anywhere across our Company in regional/local project delivery. For global/national clients, we assign account managers who understand these clients' priorities in order to maintain strategic relationships and expand our opportunities.

Our three-dimensional business model based on geographic, practice area, and life cycle diversification reduces our dependency on any particular industry or economic sector for our income. To help reduce our susceptibility to industry-specific and regional economic cycles and to take advantage of economies of scale in the highly fragmented professional services industry, we intend to continue to diversify our business both in terms of

geographic presence and service offerings. Over the last several years we have completed numerous acquisitions, and we expect to continue to pursue selective acquisitions that will enable us to enhance our market penetration and increase and diversify our revenue base. We also differentiate our Company from competitors by entering into a diverse range of contracts with a variety of fee amounts. A broad project mix strengthens our brand identity and continues to ensure that we do not rely on a few large, single projects for our revenue and that no single client or project accounts for more than 5% of our overall business.

Investment in Employees

To address the risk of competition for qualified personnel, we offer a number of employment incentives, including training programs, access to an employee share ownership plan, and opportunities for professional development and enhancement, along with compensation plans that we believe to be competitive, flexible, and designed to reward top performance. During 2011, we continued to deliver face-to-face and on-demand project management training sessions, invest in health and safety initiatives, and roll out the leadership development program we launched in 2008 to emerging leaders throughout our Company. Looking forward to 2012, we will continue to assess and develop our leaders at all levels, from our vice presidents to front-line supervisors. As well, during 2011, revisions were made to our Career Development and Performance Review process to put a greater emphasis on career management, and we are now developing well-defined leadership, knowledge, and project management career streams to support entrepreneurship, innovation, and project execution. Each career path is distinct and requires different skill sets and knowledge that will allow our employees to take responsibility for managing their careers. Training, coaching, and mentoring will continue to be key components in focusing on building our teams.

Through our recruitment and promotion practices, we ensure that our senior management and key personnel have the expertise and experience in their respective fields necessary to successfully carry out our current activities and long-term growth objectives. Since our operations are dependent on the abilities and efforts of senior management and other key personnel, the Corporate Governance and Compensation Committee of our board of directors and our senior leaders regularly review succession planning measures for management. In addition, we believe that the short-term and long-term compensation structure of our key staff is aligned with our Company's long-term strategy and goals.

Effective Processes and Systems

With regards to effective project management and execution, in 2008 we achieved registration with the International Organization for Standardization's (ISO) 9001:2000 quality management standard, and in 2010, we updated this certification to the ISO 9001:2008 standard. ISO 9001:2008 is a globally recognized set of requirements for establishing effective quality management systems. We also have robust internal processes and programs to effectively identify, execute, and manage major projects.

From 2008 to 2011, we also achieved ISO/IEC 20000-1:2005 certification. This certification sets out the requirements for information technology services and infrastructure support using an internationally accepted service management framework of best practices. Our objective in obtaining and maintaining the ISO/IEC 20000-1:2005 certification is to ensure the quality, consistency, reliability, and value of information technology services that underpin our business operations. Also, we continue to invest in our disaster recovery plan and business continuity planning initiatives.

In support of Stantec's sustainability policy and to promote compliance with applicable environmental regulation and reduce our environmental footprint, we developed and implemented a formal environmental management system. This system was recently audited and registered to the internationally recognized ISO 14001:2004 environmental management standard. Our ISO 14001:2004 registered environmental management system

requires leadership to establish environmental performance objectives such as the reduction of energy, resource use, and waste, and to formally report on those objectives within an accountable and transparent framework.

Our Internal Audit team evaluates risks and opportunities relating to fraud as part of its control evaluation program. Also, to mitigate the risk of fraud, we have various business conduct policies, including our Code of Ethics policy, Conflict of Interest policy, and Integrity policy. Our Integrity Management Committee continuously monitors our fraud risk environment and analyzes and implements mitigating tactics.

We maintain insurance coverage for our operations, including policies covering general liability, automobile liability, environmental liability, workers' compensation and employers' liability, directors' and officers' liability, and professional liability. We have a regulated captive insurance company to insure and fund the payment of any professional liability self-insured retentions related to claims arising after August 1, 2003. We, or our clients, also obtain project-specific insurance for certain projects from time to time. In addition, we invest resources in a Risk Management team that is dedicated to providing Company-wide support and guidance on risk avoidance practices and procedures. One of our practices is to carry out select client evaluations, including credit risk appraisals, before entering into contract agreements to reduce the risk of non-payment for our services.

Growth Management
To address the risk of being unsuccessful in integrating acquired companies, we have an acquisition and integration program managed by a dedicated acquisition team. The team supports, or is responsible for, the tasks of identifying and valuing acquisition candidates, undertaking and coordinating due diligence, negotiating and closing transactions, and integrating employees and systems immediately following an acquisition. A senior regional or practice leader is appointed for each acquisition to support the integration process. As we continue to expand internationally, we are developing a disciplined approach to operating outside North America, taking into account different accounting systems, legal structures, languages, and cultures. We also have a coordinated integration plan that involves the implementation of our Company-wide information technology and financial management systems as well as provision of support services from our corporate and regional offices.

We are able to meet our liquidity needs and expansion strategy through a variety of sources, including cash generated from operations, long- and short-term borrowings from our $350 million credit facility, senior secured notes, and the issuance of common shares.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to ensure that information we are required to disclose in reports filed with securities regulatory agencies is recorded, processed, summarized, and reported on a timely basis and is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including our CEO and CFO, we carried out an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2011 (as defined in rules adopted by the SEC in the United States and as defined in Canada by National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings). Based on this evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures were effective.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. A control system, no matter how well designed and operated, can provide only reasonable, not absolute,

assurance with respect to the reliability of our financial reporting and preparation of our financial statements. Accordingly, management, including our CEO and CFO, does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. Management's Annual Report on Internal Control over Financial Reporting and the Independent Auditors' Report on Internal Controls are included in our 2011 consolidated financial statements.

There has been no change in our internal control over financial reporting during the year ended December 31, 2011, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

We will continue to periodically review our disclosure controls and procedures and internal control over financial reporting and may make modifications from time to time as considered necessary or desirable.

CORPORATE GOVERNANCE

Disclosure Committee
In 2005, our Company established a Disclosure Committee, consisting of a cross section of management. The committee's mandate is to provide ongoing review of Stantec's continuous disclosure policy and to facilitate compliance with applicable legislative and regulatory reporting requirements.

Board of Directors
Stantec's board of directors currently includes nine members, seven of whom are independent under Canadian securities laws and under the rules of the SEC and the NYSE and free from any interest or relationship that could materially interfere with their ability to act in the best interest of our Company and shareholders.

The board's mandate is to supervise Stantec's management with a view to the Company's best interests. The board fulfills its mandate by:

- Overseeing the Company's strategic planning process
- Satisfying itself as to the integrity of the CEO and other executive officers
- Ensuring that the Company has a policy in place for communicating effectively with shareholders, other stakeholders, and the public
- Reviewing and monitoring the Company's principal business risks as identified by management, along with the systems for managing such risks
- Overseeing senior management succession planning, including the appointment, development, and monitoring of senior management
- Ensuring that management maintains the integrity of the Company's internal controls and management information systems

In 2011, Stantec's board included two committees: the Audit and Risk Committee and the Corporate Governance and Compensation Committee. Both committees are composed entirely of unrelated, independent directors.

Audit and Risk Committee
The Audit and Risk Committee monitors, evaluates, approves, and makes recommendations on matters affecting Stantec's external audit, financial reporting, accounting control policies, and risk management matters. The chair of the committee provides regular reports at the Company's board meetings. The board has determined that each of the Audit and Risk Committee's members is financially literate and that the majority of the members are "financial experts" as such term is defined under the rules of the SEC and NYSE.

Corporate Governance and Compensation Committee
The Corporate Governance and Compensation Committee monitors, evaluates, approves, and makes recommendations on matters affecting governance and compensation. Governance matters include, but are not limited to, board size, nominations, orientation, education, and self-evaluation. Compensation matters include, but are not limited to, executive management compensation, performance review, and succession plans. The chair of the committee provides regular reports at the Company's board meetings.

More information about Stantec's corporate governance can be found on our website (www.stantec.com) and in the Management Information Circular for our May 10, 2012, annual meeting of shareholders. In addition, the following documents are posted on our website:

- Code of Ethics
- Corporate Governance Guidelines
- Audit and Risk Committee Terms of Reference
- Corporate Governance and Compensation Committee Terms of Reference

The above information is not and should not be deemed to be incorporated by reference herein. Copies of these documents will be made available in print form to any shareholder who requests them.

SUBSEQUENT EVENT

Subsequent to the year-end, on February 15, 2012, Stantec's board of directors approved a dividend policy and concurrently declared its first quarterly dividend of $0.15 per share, payable on April 17, 2012, to shareholders of record on March 30, 2012. The declaration of this dividend reflects the confidence of our board of directors and management in our ability to generate ongoing cash flow from operations, continue to grow revenue, and complete strategic acquisitions while providing enhanced shareholder returns.

Management Report

The annual report, including the consolidated financial statements and Management's Discussion and Analysis (MD&A), is the responsibility of the management of the Company. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards. Where alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. The significant accounting policies used are described in note 4 to the consolidated financial statements. Certain amounts in the financial statements are based on estimates and judgments relating to matters not concluded by year-end. The integrity of the information presented in the financial statements is the responsibility of management. Financial information presented elsewhere in this annual report has been prepared by management and is consistent with the information in the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities and for providing final approval of the annual consolidated financial statements. The board has appointed an Audit and Risk Committee comprising four directors, none of whom is an officer or employee of the Company or its subsidiaries. The Audit and Risk Committee meets at least four times each year to discharge its responsibilities under a written mandate from the Board of Directors. The Audit and Risk Committee meets with management and with the external auditors to satisfy itself that they are properly discharging their responsibilities; reviews the consolidated financial statements, MD&A, and Independent Auditors' Report on Financial Statements; and examines other auditing and accounting matters. The Audit and Risk Committee has reviewed the audited consolidated financial statements with management and discussed the quality of the accounting principles as applied and significant judgments affecting the consolidated financial statements. The Audit and Risk Committee has discussed with the external auditors the external auditors' judgments of the quality of those principles as applied and the judgments noted above. The consolidated financial statements and MD&A have been reviewed by the Audit and Risk Committee and approved by the Board of Directors of Stantec Inc.

The consolidated financial statements have been examined by the shareholders' auditors, Ernst & Young LLP, Chartered Accountants. The Independent Auditors' Report on Financial Statements outlines the nature of their examination and their opinion on the consolidated financial statements of the Company. The external auditors have full and unrestricted access to the Audit and Risk Committee, with or without management being present.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in "Internal Control —Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at December 31, 2011.

Ernst & Young LLP, which has audited the consolidated financial statements of the Company for the year ended December 31, 2011, has also issued a report on the effectiveness of the Company's internal control over financial reporting.



Bob Gomes, P.Eng.
President & CEO
February 23, 2012



Dan Lefaivre, FCMA
Senior Vice President & CFO
February 23, 2012

Independent Auditors' Report of Registered Public Accounting Firm

To the Board of Directors and Shareholders of Stantec Inc.

We have audited the accompanying consolidated financial statements of Stantec Inc., which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and January 1, 2010, and the consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Stantec Inc. as at December 31, 2011 and 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter

As discussed in Note 11 to the financial statements, the Company has changed the date of its annual impairment test to October 1 from July 1 effective the third quarter of 2011. Our opinion is not modified in respect of this matter.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Stantec Inc.'s internal control over financial reporting as of December 31, 2011, based on the criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2012, expressed an unqualified opinion on Stantec Inc.'s internal control over financial reporting.

Ernst & Young LLP

Chartered Accountants
Edmonton, Canada
February 23, 2012

Independent Auditors' Report on Internal Control Over Financial Reporting

(Under the standards of the Public Company Accounting Oversight Board (United States))

To the Board of Directors and Shareholders of Stantec Inc.

We have audited Stantec Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Stantec Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Stantec Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

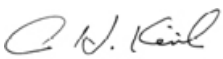
We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Stantec Inc. as at December 31, 2011 and 2010, and January 1, 2010, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the years ended December 31, 2011 and 2010, and our report dated February 23, 2012, expressed an unqualified opinion thereon.

Chartered Accountants
Edmonton, Canada
February 23, 2012

Consolidated Statements of Financial Position

(In thousands of Canadian dollars)	Notes	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
ASSETS	18,38			
Current				
Cash and short-term deposits	8	**36,111**	62,731	14,690
Trade and other receivables	9	**310,669**	295,740	253,205
Unbilled revenue	36	**133,881**	104,696	95,794
Income taxes recoverable		**16,800**	12,313	12,144
Prepaid expenses		**13,908**	10,699	11,352
Other financial assets	15	**14,612**	10,589	4,664
Other assets	16	**3,172**	4,176	4,234
Total current assets		**529,153**	500,944	396,083
Non-current				
Property and equipment	10	**107,853**	113,689	107,830
Investment property	10	**-**	-	881
Goodwill	11	**509,028**	548,272	468,814
Intangible assets	12	**72,047**	72,136	60,331
Investments in associates	14	**2,365**	2,831	6,631
Deferred tax assets	29	**43,647**	40,912	43,463
Other financial assets	15	**61,606**	57,235	48,657
Other assets	16	**1,657**	1,339	-
Total assets		**1,327,356**	1,337,358	1,132,690
LIABILITIES AND EQUITY				
Current				
Trade and other payables	17	**191,859**	186,287	159,393
Billings in excess of costs	36	**49,441**	56,741	52,007
Income taxes payable		**-**	4,595	-
Current portion of long-term debt	18	**59,593**	46,394	35,428
Provisions	19	**16,373**	17,297	15,287
Other financial liabilities	20	**5,042**	9,365	6,196
Other liabilities	21	**5,208**	3,313	3,811
Total current liabilities		**327,516**	323,992	272,122
Non-current				
Long-term debt	18	**236,601**	275,636	198,769
Provisions	19	**42,076**	39,143	42,232
Deferred tax liabilities	29	**54,564**	47,780	47,177
Other financial liabilities	20	**2,257**	5,789	7,606
Other liabilities	21	**37,191**	29,330	26,720
Total liabilities		**700,205**	721,670	594,626
Shareholders' equity				
Share capital	25	**226,744**	225,158	221,983
Contributed surplus	25	**14,906**	13,340	12,606
Retained earnings		**397,847**	393,844	302,966
Accumulated other comprehensive (loss) income	28	**(12,449)**	(16,757)	323
Total equity attributable to equity holders of the Company		**627,048**	615,585	537,878
Non-controlling interests		**103**	103	186
Total equity		**627,151**	615,688	538,064
Total liabilities and equity		**1,327,356**	1,337,358	1,132,690

See accompanying notes
On behalf of Stantec's Board of Directors



Aram Keith, PE, FASCE, Director



Bob Gomes, P.Eng., Director

Consolidated Statements of Income

Years ended December 31 *(In thousands of Canadian dollars, except per share amounts)*	Notes	**2011** **$**	2010 $
Gross revenue		**1,683,403**	1,513,062
Less subconsultant and other direct expenses		**304,856**	287,022
Net revenue		**1,378,547**	1,226,040
Direct payroll costs	31	**615,136**	537,704
Gross margin		**763,411**	688,336
Administrative and marketing expenses	25, 31	**565,164**	510,724
Depreciation of property and equipment	10	**27,933**	25,461
Impairment of goodwill	11	**90,000**	-
Amortization of intangible assets	12	**18,395**	17,289
Net interest expense	30	**9,723**	7,862
Other net finance expense (income)	30	**2,848**	(219)
Share of income from associates	14	**(793)**	(2,209)
Gain on sale of equity investments	14	**-**	(7,183)
Foreign exchange loss		**501**	994
Other (income) expense		**(36)**	838
Income before income taxes		**49,676**	134,779
Income taxes	29		
Current		**32,733**	42,435
Deferred		**4,281**	(2,397)
Total income taxes		**37,014**	40,038
Net income for the year		**12,662**	94,741
Earnings per share			
Basic	32	**0.28**	2.07
Diluted	32	**0.28**	2.06

See accompanying notes

Consolidated Statements of Comprehensive Income

Years ended December 31 *(In thousands of Canadian dollars)*	Notes	**2011** **$**	2010 $
Net Income for the year		**12,662**	94,741
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations	28	**5,761**	(18,615)
Net (loss) gain on available-for-sale financial assets	28	**(1,479)**	1,562
Income tax	28	**26**	(27)
Other comprehensive income (loss) for the year, net of tax		**4,308**	(17,080)
Total comprehensive income for the year, net of tax		**16,970**	77,661

See accompanying notes

Consolidated Statements of Shareholders' Equity

(In thousands of Canadian dollars, except shares outstanding)	Shares Outstanding *(note 25)* #	Share Capital *(note 25)* $	Contributed Surplus *(note 25)* $	Retained Earnings $	Accumulated Other Comprehensive Income (Loss) *(note 28)* $	Total $
Balance, January 1, 2010	45,716,820	221,983	12,606	302,966	323	537,878
Net income				94,741		94,741
Other comprehensive loss					(17,080)	(17,080)
Total comprehensive income				94,741	(17,080)	77,661
Share options exercised for cash	249,800	3,044				3,044
Share-based compensation expense			1,889			1,889
Shares repurchased under normal course issuer bid	(198,300)	(965)	(59)	(3,863)		(4,887)
Reclassification of fair value of share options previously expensed		1,096	(1,096)			-
Balance, December 31, 2010	45,768,320	225,158	13,340	393,844	(16,757)	615,585
Balance, December 31, 2010	45,768,320	225,158	13,340	393,844	(16,757)	615,585
Net income				12,662		12,662
Other comprehensive income					4,308	4,308
Total comprehensive income				12,662	4,308	16,970
Share options exercised for cash	214,865	2,867				2,867
Share-based compensation expense			2,700			2,700
Shares repurchased under normal course issuer bid	(459,600)	(2,270)	(145)	(8,659)		(11,074)
Reclassification of fair value of share options previously expensed		989	(989)			-
Balance, December 31, 2011	**45,523,585**	**226,744**	**14,906**	**397,847**	**(12,449)**	**627,048**

See accompanying notes

Consolidated Statements of Cash Flows

Years ended December 31 *(In thousands of Canadian dollars)*	Notes	**2011** **$**	2010 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash receipts from clients		**1,611,974**	1,499,392
Cash paid to suppliers		**(496,270)**	(508,637)
Cash paid to employees		**(943,439)**	(821,360)
Interest received		**1,953**	3,111
Interest paid		**(16,604)**	(16,775)
Finance costs paid		**(2,546)**	(1,773)
Income taxes paid		**(50,282)**	(51,548)
Income taxes recovered		**9,800**	9,522
Cash flows from operating activities	33	**114,586**	111,932
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired	7	**(76,434)**	(106,393)
Dividends from equity investments		**175**	2,852
Increase in investments held for self-insured liabilities		**(8,393)**	(7,301)
Proceeds on disposition of investments and other assets		**10,767**	1,283
Purchase of intangible assets		**(3,958)**	(3,262)
Purchase of property and equipment		**(21,832)**	(25,725)
Proceeds on disposition of property and equipment		**291**	412
Proceeds on sale of equity investments	14	**-**	9,980
Cash flows used in investing activities		**(99,384)**	(128,154)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Repayment of bank debt		**(229,449)**	(140,002)
Proceeds from bank debt		**80,736**	216,948
Proceeds from senior secured notes		**125,000**	-
Transaction costs on senior secured notes		**(1,115)**	-
Repayment of acquired bank indebtedness	7	**(3,389)**	(3,895)
Payment of finance lease obligations		**(5,449)**	(5,356)
Repurchase of shares for cancellation	25	**(11,074)**	(4,887)
Proceeds from issue of share capital		**2,867**	3,044
Cash flows (used in) from financing activities		**(41,873)**	65,852
Foreign exchange gain (loss) on cash held in foreign currency		**51**	(1,589)
Net (decrease) increase in cash and cash equivalents		**(26,620)**	48,041
Cash and cash equivalents, beginning of the year	8	**62,731**	14,690
Cash and cash equivalents, end of the year	8	**36,111**	62,731

See accompanying notes

Notes to the Consolidated Financial Statements

1. Corporate Information

The consolidated financial statements of Stantec Inc. (the Company) for the year ended December 31, 2011, were authorized for issue in accordance with a resolution of the Company's board of directors on February 23, 2012. The Company was incorporated under the Canada Business Corporations Act on March 23, 1984. Its shares are traded on the Toronto Stock Exchange (TSX) and New York Stock Exchange under the symbol STN. The Company's registered office and records office is located at 10160 – 112 Street, Edmonton, Alberta. The Company is domiciled in Canada.

The Company is a provider of comprehensive professional services in the area of infrastructure and facilities for clients in the public and private sectors. The Company's services include planning, engineering, architecture, interior design, landscape architecture, surveying, project management, environmental sciences, and project economics for infrastructure and facilities projects.

2. Basis of Preparation

These consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Since this is the first year the Company is presenting its results and financial position under IFRS, these consolidated financial statements were prepared in accordance with IFRS 1, "First-Time Adoption of IFRS" (IFRS 1). Subject to certain transition elections disclosed in note 38, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010, and throughout all periods presented as if these policies had always been in effect. Note 38 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance, and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these consolidated financial statements have been restated to give effect to these changes.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of February 23, 2012.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated in the significant accounting policies. Exceptions to the historical cost basis include certain categories of property and equipment that have been recorded using fair value as at January 1, 2010, as deemed cost, investment property, derivative financial instruments, and available-for-sale financial assets that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars, and all values are rounded to the nearest thousand ($000) except when otherwise indicated.

3. Basis of Consolidation

The consolidated financial statements include the accounts of Stantec Inc., its subsidiaries, and all its special purpose entities as at December 31, 2011.

Subsidiaries and special purpose entities are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The statements of financial position of the subsidiaries are prepared as at December 31, 2011, using consistent accounting policies. All intercompany balances are eliminated in full.

Joint ventures and partnerships are accounted for on the proportionate consolidation basis, which results in the Company recording its pro rata share of the assets, liabilities, revenues, and expenses of each of these entities.

4. Summary of Significant Accounting Policies

a) Cash and short-term deposits

Cash and cash equivalents include cash, cash in escrow, and unrestricted investments with initial maturities of three months or less. Such investments are carried at fair value. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash, cash in escrow, and unrestricted investments as defined above, net of outstanding bank overdrafts.

b) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Cost includes the cost of replacing parts of property and equipment. When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognized in the consolidated statements of income as incurred.

Depreciation is calculated at annual rates designed to write off the costs of assets over their estimated useful lives as follows:

Engineering equipment	20-30%	Declining balance
Office equipment	20-30%	Declining balance
Automotive equipment	30%	Declining balance
Leasehold improvements		Straight-line over term of lease to a maximum of 15 years or the improvement's economic life
Buildings	10-20%	Declining balance

The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

c) Investment property

Land and buildings (or parts thereof) are transferred to investment property when they are not used for operational purposes but, instead, are held to earn rental income or for capital appreciation. Investment properties are stated at cost less accumulated depreciation and any impairment losses, if any, and are accounted for in the same manner as property and equipment. As at January 1, 2010, the Company's investment property included a building that depreciated on a declining basis over its estimated useful life.

d) Assets held for sale

Assets are classified as held for sale if their carrying amounts will be recovered through a sale rather than through continuing use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management expects the sale to be completed within one year from the date of classification. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell and are classified as a current asset. Once classified as held for sale, property and equipment are not depreciated or amortized.

e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any impairment losses.

The Company's intangible assets have finite lives that are amortized over their useful economic lives on a straight-line basis. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Intangible assets acquired from business combinations
The Company's policy is to amortize client relationships with determinable lives over periods ranging from 10 to 15 years. Contract backlog is amortized over estimated contractual lives of generally 1 to 3 years. Other intangible assets include technology, non-compete agreements, and advantageous leasehold commitments, which are amortized over estimated lives of 3 to 11 years. The Company assigns value to acquired contract backlog and customer lists using the income approach, which involves quantifying the present value of net cash flows attributed to the subject asset. This, in turn, involves estimating the revenues and earnings expected from the asset. Recognition of the contributory assets, such as working capital and property and equipment required and used to generate the expected after-tax earnings, is included since these assets also require a return based on their fair values. Expected earnings after contributory charges and income taxes are discounted by the appropriate after-tax discount rate to arrive at the fair value.

Intangible assets—software
For internally generated software, research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate

- The technical feasibility of completing the intangible asset so that it will be available for use
- Its intention to complete and its ability to use the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to reliably measure the expenditure during development

Following initial recognition of the development expenditure as an asset, it is carried at cost less accumulated amortization and any impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. The Company amortizes certain purchased and internally generated software on a straight-line basis over periods ranging from 3 to 7 years.

f) Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability, achieving a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statements of income.

Leased assets are depreciated over their useful lives. However, if there is no reasonable certainty that the Company will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of its estimated useful life and the lease term. The Company's finance leases are for certain office and automotive equipment and are depreciated on a 20-to-30% declining balance basis.

Rental payments under operating leases are expensed evenly over the lease term.

From time to time, the Company enters into or renegotiates premises operating leases that result in the receipt of lease inducement benefits. These benefits are accounted for as a reduction of rental expense over the term of the

associated leases. As well, from time to time, the Company enters into or renegotiates premises operating leases that include escalation clauses. The scheduled rent increases pursuant to lease escalation clauses are recognized on a straight-line basis over the lease term.

g) Investments in associates and joint ventures

Investments in associated companies over which the Company is able to exercise significant influence, but not control, are accounted for using the equity method, which reflects the Company's investment at original cost plus postacquisition changes in the Company's share of the net assets of the associate. The share of the profit of associates is shown on the face of the consolidated statements of income. Since this is profit attributable to the equity holders of the associate, it is profit after tax. Adjustments are made in the Company's consolidated financial statements to eliminate its share of unrealized gains and losses resulting from transactions with its associates.

The Company has interests in joint ventures whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Company accounts for its joint ventures using the proportionate consolidation method. The Company combines its share of each of the assets, liabilities, income, and expense of the joint venture with similar items, line by line, in its consolidated financial statements.

If the financial statements of the associates or joint ventures are prepared for a different date from those of the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

h) Investments held for self-insured liabilities

In other financial assets, the Company has investments held for self-insured liabilities that are categorized as available for sale and are recorded at fair value with associated unrealized gains or losses reported in other comprehensive income until disposed of, at which time realized gains or losses are recognized in income. These investments consist of government and corporate bonds and equity securities.

i) Provisions

General

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when it is virtually certain. The expense relating to any provision is presented in the consolidated statements of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions for self-insured liabilities

The Company self-insures certain risks related to professional liability and automobile physical damages. The provision for self-insured liabilities includes estimates of the costs of reported claims (including potential claims that are probable of being asserted) and is based on estimates of loss using assumptions made by management, including consideration of actuarial projections. The provision for self-insured liabilities does not include unasserted claims where assertion by a third party is not probable.

The Company invests funds to support the provision for self-insured liabilities. These investments are recorded at fair value in other financial assets as investments held for self-insured liabilities.

Provision for claims

The Company has claims that are not covered by its provisions for self-insurance, in particular those claims

assumed from a business combination covered under an assumed insurance contract. Provisions are recognized for these claims in accordance with the above general description of provisions.

Contingent liabilities recognized in a business combination
A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured in accordance with the above general description of provisions.

Lease exit liabilities
The Company accrues charges when it ceases to use office space under an operating lease arrangement. Included in the liability is the present value of the remaining lease payments. As well, an asset is accrued in the consolidated statements of financial position as an other financial asset if it is virtually certain that sublease rental will be obtained for the office space that the Company ceases to use. The asset is measured using the present value of the future rental income to the extent of the present value of the lease liability.

Onerous contracts
From time to time, the Company may sublet a portion of an office space under an operating lease arrangement. The Company accrues a liability and asset if the costs to be incurred under an operating lease are to exceed the anticipated revenue on the sublease. Included in the liability is the present value of the remaining lease payments. Included in the asset is the present value of the future rental income.

j) Foreign currency translation
The Company's consolidated financial statements are presented in Canadian dollars, which is also the parent Company's functional currency. Each entity in the Company determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. For example, the functional currency of the Company's US-based subsidiaries is the US dollar.

Transactions and balances
Transactions in foreign currencies (i.e., different than an entity's functional currency) are initially translated into the functional currency of entities using the foreign exchange rate at the date of the transaction. Subsequent to the transaction date, foreign currency transactions are measured as follows:

- On the statements of financial position, monetary items are translated at the rate of exchange in effect at the reporting date. Non-monetary items at cost are translated at historical exchange rates. Non-monetary items at fair value are translated at rates in effect at the date the fair value is determined. Any resulting realized and unrealized foreign exchange gains or losses are included in income in the period incurred. The exception is unrealized foreign exchange gains and losses on non-monetary investments (i.e., equity investments) classified as available for sale, which are included in accumulated other comprehensive income.

- Revenue and expense items are translated at the average exchange rate for the year with the exception of depreciation and amortization, which are translated at historical exchange rates.

Foreign operations
The Company's foreign operations are translated into its reporting currency (Canadian dollar) as follows: assets and liabilities are translated at the rate of exchange in effect at each consolidated statement of financial position date, and revenue and expense items (including depreciation and amortization) are translated at the average rate of exchange for the month. The resulting unrealized exchange gains and losses on foreign subsidiaries are recognized in accumulated other comprehensive income.

k) Financial instruments

Initial recognition and subsequent measurement

The Company classifies its financial instruments as follows:

- Cash and short-term deposits are classified as financial assets at fair value through profit and loss (FVPL) and are recorded at fair value, with realized and unrealized gains and losses reported in income.
- Trade and other receivables are classified as receivables and are initially accounted for at fair value and subsequently adjusted for any allowance for doubtful accounts, with allowances reported in administrative and marketing expenses.
- Investments held for self-insured liabilities, consisting of equity securities and bonds, are classified as financial assets available for sale and are recorded at fair value, with accumulated unrealized gains and losses reported in other comprehensive income until disposed of, at which time the realized gains and losses are recognized in other income. Interest income is recorded in finance income, and dividends are recorded in other income.
- Trade and other payables are classified as other financial liabilities and are recorded at fair value and subsequently recorded at amortized cost using the effective interest rate method (EIR), with realized gains and losses reported in income. The EIR method discounts estimated future cash payments or receipts through the expected life of a financial instrument, therefore calculating the amortized cost and subsequently allocating the interest income or expense over the life of the instrument.
- Long-term debts, including non-interest bearing debts, are classified as loans and borrowings and are initially recorded at fair value and subsequently recorded at amortized cost using the EIR method, with the EIR amortization and realized gains and losses reported in finance costs.
- Derivatives are classified as financial assets or liabilities at FVPL and are accounted for at fair value, with unrealized and realized gains and losses reported in other net finance expense (income) or foreign exchange gains/losses. Derivatives are carried as other financial assets when the fair value is positive and as other financial liabilities when the fair value is negative.

Fair value

All financial assets are recognized initially at fair value plus directly attributable transaction costs except for financial assets at FVPL, for which transaction costs are expensed. Purchases or sales of financial assets are accounted for at trade dates. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent to initial recognition, the fair values of financial instruments are based on the bid prices in quoted active markets for financial assets and on the ask prices for financial liabilities. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include 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. The fair values of the Company's derivatives are based on third-party indicators and forecasts. The fair values of cash and short-term deposits, trade and other receivables, and trade and other payables approximate their carrying amounts because of the short-term maturity of these instruments. The carrying amount of bank loans approximates their fair value because the applicable interest rate is based on variable reference rates. The carrying amounts of other financial assets and financial liabilities approximate their fair values except as otherwise disclosed in the consolidated financial statements.

Derivatives
From time to time, the Company enters into foreign currency forward contracts to manage risk associated with net operating assets denominated in US dollars. The Company also enters into interest rate swap agreements to manage the risk associated with interest rate cash flows to the extent that its credit facilities are based on floating rates of interest. The Company's policy is not to use these derivatives for trading or speculative purposes. The Company has not designated any of its derivatives for hedge accounting.

l) Impairment
The carrying amounts of the Company's assets or group of assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is an indication of impairment. An asset may be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (i.e., an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset. If an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated.

Trade and other receivables
The Company maintains an allowance for doubtful accounts on trade receivables. The estimate is based on the best assessment of the collectability of the related receivable balance based, in part, on the age of the outstanding receivables and on the Company's historical collection and loss experience. When the carrying amount of the receivable is reduced through the allowance, the reduction is recognized in administrative and marketing expenses in the consolidated statements of income.

Non-financial assets
For non-financial assets such as property and equipment, investment property, goodwill, investments in associates and joint ventures, and intangible assets, the recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use. The recoverable amount 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 or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. The results of these valuation techniques are corroborated by quoted share prices for comparable publicly traded companies or other available fair value indicators. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the nature of the impaired asset.

Goodwill is not amortized but is evaluated for impairment annually (as at October 1) and when indicators of impairment exist. Effective the third quarter of 2011, the Company changed the date of its annual goodwill impairment test to October 1, from July 1. The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. Impairment is determined by assessing the recoverable amount of each CGU to which the goodwill relates. The Company's CGUs for goodwill impairment testing are Canada, the United States, and International. Where the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognized.

An impairment loss of goodwill is not reversed. Regarding other assets, an impairment loss may be reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income.

Available-for-sale financial investments
For equity investments classified as available for sale, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investment below its cost. “Significant” is to be evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognized in the consolidated statements of income. Impairment losses on equity investments are not reversed through the consolidated statements of income; increases in their fair value after impairment are recognized directly in other comprehensive income.

For debt instruments classified as available for sale, the Company first assesses individually whether objective evidence of impairment exists for debt instruments that are individually significant or collectively for debt instruments that are not individually significant. If an impairment loss has occurred, the amount recorded is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any previously recognized impairment loss. This amount is removed from other comprehensive income and recognized in the consolidated statements of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the consolidated statements of income.

m) Revenue recognition
In the course of providing its services, the Company incurs certain direct costs for subconsultants and other expenditures that are recoverable directly from clients. These direct costs are included in the Company’s gross revenue. Since such direct costs can vary significantly from contract to contract, changes in gross revenue may not be indicative of the Company’s revenue trends. Accordingly, the Company also reports net revenue, which is gross revenue less subconsultant and other direct expenses.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, duty, and taxes collected from clients that are reimbursable to government authorities. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all its revenue arrangements.

Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized by reference to the stage of completion using the revenue cost approach. Stage of completion is measured by reference to labor costs incurred to date as a percentage of total estimated labor costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Provisions for estimated losses on incomplete contracts are made in the period in which the losses are determined. Revenue from time-and-material contracts without stated ceilings and from short-term projects is recognized as costs are incurred. Revenue is calculated based on billing rates for the services performed.

Unbilled revenue represents work in progress that has been recognized as revenue but not yet invoiced to clients. Billings in excess of costs represents amounts that have been invoiced to clients but not yet recognized as revenue.

n) Employee benefit plans
The Company contributes to group retirement savings plans and an employee share purchase plan based on the amount of employee contributions subject to maximum limits per employee. The Company accounts for defined contributions as an expense in the period in which the contributions are made. The Company does not provide postemployment or postretirement benefits.

o) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax, relating to items recognized directly in equity, is recognized in equity and not in the consolidated statements of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes an uncertain tax liability where appropriate.

Deferred tax

Deferred tax is determined using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred taxes are not recognized for the initial recognition of goodwill; the initial recognition of assets or liabilities, outside of a business combination, that affect neither accounting nor taxable profit; or the differences relating to investments in subsidiaries, associates, and interests in joint ventures to the extent that the reversal can be controlled and it is probable that it will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax, relating to items recognized in equity, is recognized in equity. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses, and assets are recognized net of the amount of sales tax recoverable from, or payable to, a taxation authority. Trade receivables and trade payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, a taxation authority is included as part of trade receivables or trade payables, as appropriate, in the consolidated statements of financial position.

p) Share-based payment transactions

Under the Company's share option plan, the board of directors may grant to officers and employees remuneration in the form of share-based payment transactions, whereby officers and employees render services as consideration for equity instruments (equity-settled transactions).

Under the Company's deferred share unit plan, the chief executive officer and directors of the board of the Company may receive deferred share units equal to one common share. Under the Company's restricted share unit plan, senior vice presidents are granted share units that are to be settled after a two-year period. The deferred share units and restricted share units are share appreciation rights that can only be settled in cash (i.e., cash-settled transactions).

Equity-settled transactions
The cost of equity-settled transactions awards is measured by reference to the fair value at the grant date using a Black-Scholes option-pricing model. The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit to income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recorded in administrative and marketing expenses. No expense is recognized for awards that do not ultimately vest.

Cash-settled transactions
The cost of cash-settled transactions is measured initially at fair value at the grant date using a Black-Scholes option-pricing model. This fair value is expensed upon issue with the recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date, up to and including the settlement date, with changes in fair value recognized in administrative and marketing expenses.

q) Earnings per share
Basic earnings per share are computed based on the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed using the treasury stock method, which assumes that the cash that would be received on the exercise of options is applied to purchase shares at the average price during the period and that the difference between the number of shares issued on the exercise of options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding. Antidilutive options are not considered in computing diluted earnings per share.

r) Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the consideration transferred at fair value at the acquisition date. Any contingent consideration to be transferred by the Company will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with IAS 39, "Financial Instruments: Recognition and Measurement," in other income. If the business combination is achieved in stages, the acquisition-date fair value of the Company's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through income. Acquisition costs are expensed when incurred in administrative and marketing expenses.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the Company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs (Canada, United States, and International) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

5. Significant Accounting Judgments, Estimates, and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key management judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Revenue recognition
The Company accounts for its revenue in accordance with IAS 11, "Construction Contracts," which requires estimates to be made for contract costs and revenues. Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method based on the ratio of labor costs incurred to total estimated labor costs. Estimating total direct labor costs is subjective and requires the use of management's best judgments based on the information available at that point in time. The Company also provides for estimated losses on incomplete contracts in the period in which such losses are determined. Changes in the estimates are reflected in the period in which they are made and would affect the Company's revenue and unbilled revenue.

b) Allowance for doubtful accounts
The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on its trade receivables. The Company uses estimates in arriving at its allowance for doubtful accounts that are based on the age of the outstanding receivables and on its historical collection and loss experience.

c) Provision for self-insured liabilities
The Company self-insures certain risks, including professional liability and automobile liability. The accrual for self-insured liabilities includes estimates of the costs of reported claims and is based on estimates of loss using management's assumptions, including consideration of actuarial projections. These estimates of loss are derived from loss history that is then subjected to actuarial techniques in the determination of the proposed liability. Estimates of loss may vary from those used in the actuarial projections and result in a larger loss than estimated. Any increase in loss would be recognized in the period in which the loss is determined and increase the Company's self-insured liabilities and reported expenses.

d) Share-based payment transactions
The Company measures the cost of share-based payment transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The Company has chosen the Black-Scholes option-pricing model for equity-settled and cash-settled share-based payment transactions. This estimate also requires determining the most appropriate inputs to the valuation model, including volatility in the price of the Company's shares, a risk-free interest rate, and the expected hold period to exercise, and making assumptions about them. The expected volatility is based on the historical volatility of the Company's shares over a period commensurate with the expected term of the share option. The risk-free interest rate for the expected life of the options is based on the yield available on government bonds, with an approximate equivalent remaining term at the time of the grant. Historical data is used to estimate the expected life of the option. As well, the Company estimates its forfeiture rate for equity-settled transactions based on historical experience in order to determine the compensation expense arising from the share-based awards.

e) Business combinations
In a business combination, the Company may acquire the assets and assume certain liabilities of an acquired entity. The estimate of fair values for these transactions involves judgment in determining the fair values assigned to the tangible and intangible assets (i.e., backlog, client relationships, and favorable and unfavorable leases) acquired and the liabilities assumed on the acquisition. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples.

Contingent consideration resulting from business combinations is recorded at fair value at the acquisition date as part of the business combination based on discounted cash flows and is subsequently remeasured to fair value at each reporting date. The key assumptions used in determining fair value include the probability of meeting each performance target and a discount factor.

f) Impairment of non-financial assets
Impairment exists when the carrying amount of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is based on available data from binding sales transactions in an arm's-length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. In the absence of such data, other valuation techniques can be used to estimate fair value less costs to sell. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from budgets over an appropriate number of years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount, when based on a discounted cash flow methodology, is most sensitive to the discount rate used, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. To arrive at cash flow projections, the Company uses estimates of economic and market information over the projection period, including growth rates in revenues, estimates of future expected changes in operating margins, and cash expenditures. Other significant estimates and assumptions include future estimates of capital expenditures and changes in future working capital requirements.

g) Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk, and, volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

h) Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of deferred taxable income. The Company's income tax assets and liabilities are based on interpretations of income tax legislation across various jurisdictions, primarily in Canada and the United States. The Company's effective tax rate can change from year to year based on the mix of income among different jurisdictions, changes in tax laws in these jurisdictions, and changes in the estimated value of deferred tax assets and liabilities. The Company's income tax expense reflects an estimate of the cash taxes it expects to pay for the current year, as well as a provision for changes arising in the values of deferred tax assets and liabilities during the year. The tax value of these assets and liabilities is impacted by factors such as accounting estimates inherent in these balances, management's expectations about future operating results, and previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authorities. Such differences in interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective legal entity's domicile. Management assesses the likelihood of recovering value from deferred tax assets, such as loss carryforwards, on a regular basis, as well as the deferred tax depreciation of capital assets, and adjusts the tax provision accordingly.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits, together with future tax-planning strategies.

6. Recent Accounting Pronouncements

Recently adopted

On transition to IFRS, the Company adopted the annual improvements to IFRS issued by the IASB in May 2010. The adoption of these amendments did not have an effect on the Company's financial position or on the results of its operations.

Future adoptions

The listing below includes issued standards, amendments, and interpretations that the Company reasonably expects to be applicable at a future date and intends to adopt when they become effective. Unless otherwise noted, the effective date of each standard below is the first annual period beginning on or after January 1, 2013, with retrospective application required and early adoption permitted. Unless otherwise noted, the Company is currently considering the impact of adopting these standards and interpretations on its consolidated financial statements and cannot reasonably estimate the effect at this time.

Financial Instruments
In November 2009, the IASB issued IFRS 9, "Financial Instruments" (IFRS 9), as part of the first of three phases to replace IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39). The first phase addressed the classification and measurement of financial assets. IFRS 9 replaces the multiple classification and measurement models of IAS 39 with a single model that has only two classification categories: amortized cost and fair value.

In October 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities and for classification and measurement of financial liabilities. The reissued IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, instead of in profit and loss.

In December 2011, the IASB issued amendments to IFRS 9 (the amendments). The amendments result in a deferred effective date for IFRS 9, from annual periods beginning on or after January 1, 2013, to January 1, 2015, with early adoption still permitted. This deferral makes it possible for all phases of the replacement of IAS 39 to have the same mandatory effective date. The amendments provide relief in restating prior periods, requiring instead that entities provide disclosures to allow financial statement users to understand the initial impact of applying IFRS 9.

Financial Instruments: Presentation
In December 2011, the IASB issued amendments to IAS 32, "Financial Instruments: Presentation" (IAS 32) (the amendments). The amendments clarify when an entity has a legally enforceable right to set-off, as well as clarifying the application of offsetting criteria related to some settlement systems that may be considered the same as net settlement. The amendments to IAS 32 are applicable for annual periods beginning on or after January 1, 2014.

Financial Instruments: Disclosures
In October 2010, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures" (IFRS 7) (the amendments). The amendments require additional qualitative and quantitative disclosure associated with the

transfers of financial assets. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011. Early adoption is permitted. The new disclosure requirements are required to be applied prospectively. The adoption of the amendments is not expected to have a material impact on the Company's consolidated financial statements.

In December 2011, the IASB issued further amendments to IFRS 7 related to the disclosures of offsetting financial assets and financial liabilities. These amendments require disclosure of information that will allow financial statement users to assess the impact of an entity's netting arrangements, including rights of set-off associated with an entity's recognized financial assets and liabilities, on the entity's statement of financial position.

Consolidated Financial Statements
In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements," which replaces Standing Interpretations Committee (SIC)-12, "Consolidation-Special Purpose Entities" (SIC-12), and parts of IAS 27, "Consolidated and Separate Financial Statements" (IAS 27). The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in a company's consolidated financial statements. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.

Joint Arrangements
In May 2011, the IASB issued IFRS 11, "Joint Arrangements" (IFRS 11), to establish principles for financial reporting by parties to a joint arrangement. This standard supersedes IAS 31, "Interests in Joint Ventures" (IAS 31), and SIC-13, "Jointly Controlled Entities—Non-Monetary Contributions by Venturers." Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures; the classification of a joint arrangement focuses on the nature and substance of the rights and obligations of the arrangement. IFRS 11 requires that joint ventures be accounted for using the equity method, rather than proportionate consolidation.

Investments in Associates and Joint Ventures
In May 2011, the IASB amended IAS 28, "Investments in Associates and Joint Ventures" (IAS 28), previously IAS 28, "Investments in Associates." The amended IAS 28 sets out the accounting for investments in associates and the requirements for application of the equity method when accounting for investments in associates and joint ventures.

Disclosure of Interests in Other Entities
In May 2011, the IASB issued IFRS 12, "Disclosure of Interests in Other Entities" (IFRS 12). IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates, and structured entities into one comprehensive disclosure standard. Many of the disclosure requirements were previously included in IAS 27, IAS 28, IAS 31, and SIC-12, while others are new. IFRS 12 requires that an entity disclose the significant judgment and assumptions it has made in determining whether it controls an entity.

Fair Value Measurement
In May 2011, the IASB issued IFRS 13, "Fair Value Measurement" (IFRS 13). IFRS 13 provides guidance on how to measure fair value under IFRS when fair value is required or permitted by other standards. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 requires enhanced disclosure for fair value. IFRS 13 is applied prospectively for annual periods beginning on or after January 1, 2013, and comparative disclosures for prior periods are not required.

Presentation of Financial Statements
In June 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" (IAS 1), to improve the consistency and clarity of items presented in other comprehensive income. The amendments require that items presented in other comprehensive income be grouped into two categories: 1) items that may be reclassified into profit or loss at a future date and 2) items that will never be reclassified into profit or loss. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

Employee Benefits
In June 2011, the IASB issued amendments to IAS 19, “Employee Benefits” (the amendments). Among other changes, the amendments impact the timing of the recognition of termination benefits. The revised standard requires termination benefits outside of a wider restructuring to be recognized only when the offer becomes legally binding and cannot be withdrawn. In the context of a wider restructuring, termination benefits are recognized at the same time as other restructuring costs.

7. Business Acquisitions

Acquisitions are accounted for under the acquisition method of accounting, and the results of operations since the respective dates of acquisition are included in the consolidated statements of income. From time to time, as a result of the timing of acquisitions in relation to the Company’s reporting schedule, certain estimates of fair values of assets and liabilities acquired may not be finalized at the initial time of reporting. These estimates are completed after the vendors’ final financial statements and income tax returns have been prepared and accepted by the Company and when the valuation of intangible assets acquired is finalized. The preliminary fair values are based on management’s best estimates of the acquired identifiable assets and liabilities at the acquisition date. During a measurement period not to exceed one year, adjustments to the initial estimates may be required to finalize the fair value of assets and liabilities acquired. The Company will revise comparative information if these measurement period adjustments are material.

The consideration paid for acquisitions may be subject to price adjustment clauses included in the purchase agreements and may extend over a number of years. At each consolidated statement of financial position date, these price adjustment clauses are reviewed, which may result in an increase or reduction to the note payable consideration recorded at acquisition to reflect either more or less non-cash working capital than was originally recorded. Since these adjustments are due to facts and circumstances occurring after the acquisition date, they are not considered measurement period adjustments.

In addition, consideration, specified in certain purchase agreements, may be based on future performance parameters. This contingent consideration is recognized at its fair value at the acquisition date. Any changes to the fair value after the acquisition date are recorded in other (income) expense.

In the case of some acquisitions, additional payments may be made to the employees of an acquired company that are based on their continued service over an agreed period of time. These additional payments are not included in the purchase price. They are expensed, as compensation, as services are provided by the employees.

Acquisitions in 2011

On February 11, 2011, the Company acquired all the shares and business of QuadraTec, Inc. for cash consideration and notes payable. With offices in Newfoundland and Labrador, QuadraTec, Inc. provides mechanical, electrical, industrial, and communications engineering; energy management; design studies; and contract management.

On May 27, 2011, the Company acquired all the shares and business of the Caltech Group (Caltech) for cash consideration and notes payable. Headquartered in Calgary, Alberta, Caltech provides multidisciplinary engineering, procurement, and construction management services. The addition of Caltech’s services augmented the Company’s existing oil and gas and power business throughout North America. Caltech has experience in the design of utility, electrical asset, and telecom facilities, which includes a range of client planning, engineering, consulting, and development services.

On September 2, 2011, the Company acquired all the shares and business of Bonestroo, Inc. and Bonestroo Services, LLC (Bonestroo) for cash consideration and promissory notes. Bonestroo is an engineering, planning,

and environmental science firm with offices in Minnesota, Wisconsin, Illinois, Michigan, and North Dakota. The addition of Bonestroo enhances and augments the Company's expertise with the firm's specialty services in infrastructure planning, streets and utilities, water supply, water storage, water distribution, brownfield redevelopment, environmental planning, environmental management, environmental compliance, transportation engineering, traffic engineering, bridge design, water resources management, ice design, aquatics design, athletic fields, and sports courts design.

On October 1, 2011, the Company acquired all the shares and business of FSC Architects and Engineers (FSC) for cash consideration and promissory notes. FSC is an integrated architecture and engineering firm specializing in cold climate and remote location projects. The firm has offices in Yellowknife, Northwest Territories; Whitehorse, Yukon; Iqaluit, Nunavut; and Edmonton, Alberta. FSC is active in many sectors including airports, education, emergency services, healthcare, residential, and sports and leisure, and, therefore, will primarily augment the Company's Building practice area unit, with additional services in Transportation and Environment.

On October 28, 2011, the Company acquired all the shares and business of ENTRAN, Inc. for cash consideration and promissory notes. The acquisition of ENTRAN, Inc. augments the Company's Transportation practice area unit. ENTRAN, Inc. has offices in Lexington, Kentucky; Louisville, Kentucky; Cincinnati, Ohio; Chicago, Illinois; Nashville, Tennessee; and Charleston, West Virginia. ENTRAN, Inc. specializes in roadway and bridge design, transportation planning and traffic engineering, construction engineering services, and aviation services.

Acquisitions in 2010

On March 1, 2010, the Company acquired the net assets and business of Project Control Group Inc. for cash consideration and notes payable. The acquisition of this firm, located in Toronto, Ontario, strengthened the Company's program and project management expertise.

On April 30, 2010, the Company acquired all the shares and business of the Winnipeg, Manitoba-based firm Tetr *ES* Consultants Inc. (Tetr*ES*) for cash consideration and notes payable. Tetr *ES* is an environmental management consulting firm that specializes in providing infrastructure and master planning, environmental assessment, and management of strategic regulatory issues and regulatory defense and expert testimony for the energy, government, mining, food-processing, petrochemical, and tribunal support sectors. The acquisition of this firm strengthened the Company's environmental services in Canada.

On July 2, 2010, the Company acquired all the shares and business of IEA Holdings, Inc. (IEA) for cash consideration and promissory notes. The acquisition of IEA, headquartered in Portland, Maine, enhanced the Company's expertise in the power sector. IEA specializes in providing engineering, project management, procurement, construction management, and start-up services for the energy market.

On July 23, 2010, the Company acquired all the shares and business of WilsonMiller Inc. for cash consideration and promissory notes. Headquartered in Naples, Florida, with offices throughout the state, WilsonMiller Inc. is a multidisciplinary planning, design, and engineering firm that provides services for infrastructure, transportation, land management, and environmental projects to public and private sector clients.

On July 30, 2010, the Company acquired the net assets and business of Natural Resources Consulting, Inc. (NRC) for cash consideration and promissory notes. The acquisition of this firm, headquartered in Cottage Grove, Wisconsin, strengthened the Company's Environment practice area unit. NRC provides environmental permitting and compliance support services particularly related to the siting and permitting of electrical transmission lines, natural gas and petroleum pipelines, and renewable energy projects.

On August 6, 2010, the Company acquired the net assets and business of Communication Arts, Inc. (CommArts) for cash consideration and promissory notes. The acquisition of this firm, headquartered in Boulder, Colorado, enhanced the Company's Architecture practice. CommArts is a design firm that specializes in project visioning, branding, and associated conceptual architectural and environmental graphics.

On September 10, 2010, the Company acquired all the shares and business of Anshen & Allen Architecture, Inc. (Anshen + Allen) for cash consideration and notes payable. Anshen + Allen is an international architecture firm that specializes in the design of healthcare, academic, and research facilities through offices in San Francisco, California; Columbus, Ohio; Boston, Massachusetts; and London, England.

On September 15, 2010, the Company acquired all the shares and business of ECO:LOGIC Engineering (ECO:LOGIC) for cash consideration and promissory notes. The acquisition of ECO:LOGIC, headquartered in Rocklin, California, enhanced the services offered in the Company's Environment practice area unit. ECO:LOGIC specializes in the planning, permitting, design, construction management, and operations of water and wastewater facilities in Northern California and Nevada.

On October 8, 2010, the Company acquired the net assets and business of Street Smarts, Inc. and Data Smarts, LLC (Street Smarts) for cash consideration and promissory notes. These firms, based in Duluth, Georgia, provide services to both the public and private sectors in transportation planning, traffic engineering, roadway design, surveying and geomatics, subsurface utility engineering, and land development. The acquisition of Street Smarts provided greater depth to the Transportation practice in the southeastern United States and built on the Company's presence in Atlanta, Georgia.

On December 3, 2010, the Company acquired all the shares and business of Burt Hill, Inc. (Burt Hill) for cash consideration and promissory notes. This Pennsylvania-headquartered international architecture and engineering firm specializes in higher education and healthcare design. Burt Hill's office locations largely complement the Company's existing operations along the US East Coast, including a shared presence in Pittsburgh and Philadelphia, Pennsylvania; Boston, Massachusetts; Columbus, Ohio; and Phoenix, Arizona. The acquisition also added US staff in Butler and State College, Pennsylvania; Cleveland, Ohio; Washington, DC; and Miami, Florida, and international staff in the United Arab Emirates and India.

During 2011, the Company finalized the estimated fair value of assets acquired and liabilities assumed for the Tetr *ES*, IEA, WilsonMiller, Inc., NRC, CommArts, Anshen + Allen, ECO:LOGIC, Street Smarts, Burt Hill, and QuadraTec, Inc. acquisitions. The Company expects to finalize the estimated fair value of assets acquired and liabilities assumed for the Caltech acquisition in the second quarter of 2012; for the Bonestroo acquisition in the third quarter of 2012; and for the FSC and ENTRAN, Inc. acquisitions in the fourth quarter of 2012.

Aggregate consideration for assets acquired and liabilities assumed

Details of the aggregate consideration transferred and the fair value of the identifiable assets and liabilities acquired at the date of acquisition are as follows:

(In thousands of Canadian dollars)	Notes	**Total 2011 $**	Total 2010 $
Cash consideration		**30,658**	79,256
Notes payable		**31,812**	39,878
Consideration		**62,470**	119,134
Assets and liabilities acquired			
Cash acquired		**108**	12,267
Bank indebtedness assumed		**(3,389)**	(3,895)
Non-cash working capital		**16,353**	(1,476)
Property and equipment	10	**4,260**	13,925
Investments		**317**	1,493
Other financial assets		**8,420**	6,655
Intangible assets	12		
Client relationships		**1,709**	13,119
Contract backlog		**7,828**	5,289
Software		**-**	391
Lease disadvantages		**(5,975)**	-
Other		**1,998**	195
Provisions	19	**(2,948)**	(3,727)
Other liabilities		**(530)**	(493)
Long-term debt		**(9,060)**	(15,965)
Deferred income taxes	29	**(238)**	(5,071)
Total identifiable net assets at fair value		**18,853**	22,707
Non-controlling interest in subsidiaries		**-**	83
Goodwill arising on acquisitions	11	**43,617**	96,344
Consideration		**62,470**	119,134

Trade receivables assumed from acquired companies are recognized at their fair value at the time of acquisition. The fair value of trade receivables amounts to $24,949,000 (December 31, 2010 – $49,567,000). The gross amount of trade receivables is $26,785,000 (December 31, 2010 – $55,953,000).

Goodwill comprises the value of expected synergies arising from an acquisition, the expertise and reputation of the assembled workforce acquired, and the geographic location of the acquiree. Of the goodwill and intangible assets resulting from acquisitions completed in 2011, $12,958,000 (December 31, 2010 – $25,494,000) is deductible for income tax purposes.

The fair value of provisions are determined at the acquisition date. These liabilities relate to claims that are subject to legal arbitration. During 2011, the Company assumed $2,039,000 in provisions for claims relating to current acquisitions. As at the reporting date, provisions for claims outstanding from current and prior acquisitions were reassessed and determined to be $9,385,000 based on their expected probable outcome. Certain of these claims are indemnified by the acquiree (note 15). The Company recorded $808,000 of indemnification assets relating to current-year acquisitions.

For business combinations that occurred in 2011, the Company estimates that gross revenue earned in 2011, since these acquired entities' acquisition date, is $39,958,000. For business combinations that occurred in 2010, the Company estimates that gross revenue earned in 2010, since these acquired entities' acquisition date, is $46,601,000. The Company integrates the operations and systems of acquired entities shortly after the acquisition date; therefore, it is impracticable for the Company to disclose the acquiree's earnings in its consolidated financial statements since the acquisition date.

If the business combinations that occurred in 2011 had taken place at the beginning of 2011, gross revenue from continuing operations for the year ended December 31, 2011 would have been $1,747,483,000 and the profit from continuing operations for the Company would have been $13,070,000. If the business combinations that occurred in 2010 had taken place at the beginning of 2010, gross revenue from continuing operations for the fiscal year 2010 would have been $1,692,132,000 and the profit from continuing operations for the Company would have been $95,793,000.

In 2011, directly attributable acquisition-related costs of $508,000 (December 31, 2010 – $1,946,000) have been expensed and are included in administrative and marketing expenses.

Consideration paid and outstanding

Details of the consideration paid for current and past acquisitions are as follows:

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $
Cash consideration (net of cash acquired)	**30,550**	66,989
Payments on notes payable from previous acquisitions	**41,120**	37,703
Contingent consideration paid	**4,764**	1,701
Total net cash paid	**76,434**	106,393

The total notes payable, contingent consideration outstanding, and adjustments to these obligations are as follows:

(In thousands of Canadian dollars)	**Notes Payable $**	**Contingent Consideration $**
January 1, 2010	89,822	5,854
Additions for acquisitions in the year	39,878	-
Other adjustments	109	476
Payments	(37,703)	(1,701)
Interest	-	192
Impact of foreign exchange	(1,862)	(218)
December 31, 2010	**90,244**	4,603
Additions for acquisitions in the year	**31,812**	**-**
Other adjustments	**27**	**(130)**
Payments	**(41,120)**	**(4,764)**
Interest	**333**	**41**
Impact of foreign exchange	**1,059**	**250**
December 31, 2011	**82,355**	**-**

During 2010, the Company adjusted the notes payable on the Granary Associates, Inc.; the Jacques Whitford Group Ltd. and Jacques Whitford Global Group Limited (Jacques Whitford); The Zande Companies, Inc.; the Murphy Hilgers Architects Inc.; the Dunlop Architects Inc.; and the McIntosh Engineering Holdings Corporation acquisitions pursuant to price adjustment clauses included in the purchase agreements. These adjustments impacted non-cash working capital.

During 2011, the Company adjusted the notes payable on the Murphy Hilgers Architects Inc.; The Zande Companies, Inc.; the McIntosh Engineering Holdings Corporation; the Jacques Whitford; the Tetr*ES*; the WilsonMiller Inc.; the Anshen + Allen; the ECO:LOGIC; the Street Smarts; the Burt Hill; the QuadraTec Inc.; and the Caltech acquisitions, pursuant to price adjustment clauses included in the purchase agreements. These adjustments impacted non-cash working capital.

The Company uses the income approach to determine the fair value of contingent consideration. Contingent consideration may be payable at various dates depending on whether the prior owners meet various future performance parameters. During 2011, since indicators showed that future performance parameters would be achieved, the Company increased the fair value of contingent consideration by $122,000 (December 31, 2010 -$476,000) and the amount was charged to income. In addition, certain prior owners did not meet their performance target in 2011; therefore, $252,000 (December 31, 2010 – nil) in accrued contingent consideration was reversed and credited to income. In 2011; $4,764,000 (December 31, 2010 – $1,701,000) of contingent consideration was settled and paid to prior owners. As at December 31, 2011, there is no contingent consideration outstanding.

8. Cash and Short-Term Deposits

The Company's policy is to invest cash in excess of operating requirements in highly liquid investments. Cash and cash equivalents consist of the following:

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Cash in bank and on hand	**33,533**	59,829	12,767
Unrestricted investments	**1,534**	2,902	1,923
Cash held in escrow	**1,044**	-	-
Cash and cash equivalents	**36,111**	62,731	14,690

Unrestricted investments consist of short-term bank deposits with initial maturities of three months or less.

As part of the Bonestroo acquisition (note 7), US$1,027,000 was placed in an escrow account to be settled on September 2, 2012, pending the outcome of price adjustment clauses included in the purchase agreement. A corresponding US$1,027,000 obligation was also recorded at acquisition.

9. Trade and Other Receivables

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Trade receivables, net of allowance	**302,791**	285,449	238,983
Joint venture trade receivables	**2,061**	3,652	5,017
Holdbacks, current	**2,797**	2,184	2,829
Other	**3,020**	4,455	6,376
Trade and other receivables	**310,669**	295,740	253,205

The Company maintains an allowance for estimated losses on trade receivables. The estimate is based on the best assessment of the collectability of the related receivable balance based, in part, on the age of the outstanding receivables and on the Company's historical collection and loss experience. The following table provides a reconciliation of changes to the Company's allowance for doubtful accounts.

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Balance, beginning of the year	**8,033**	9,395	11,597
Provision for doubtful accounts	**9,627**	5,915	17,151
Deductions	**(5,986)**	(6,892)	(17,734)
Impact of foreign exchange	**548**	(385)	(1,619)
Balance, end of the year	**12,222**	8,033	9,395

The aging analysis of gross trade receivables is as follows:

(In thousands of Canadian dollars)	Total $	1-30 $	31-60 $	61-90 $	91-120 $	120+ $
December 31, 2011	**315,013**	**171,036**	**74,299**	**26,673**	**15,880**	**27,125**
December 31, 2010	293,482	160,141	69,715	22,600	17,500	23,526
January 1, 2010	248,378	141,737	43,857	27,346	12,491	22,947

10. Property and Equipment

(In thousands of Canadian dollars)	Engineering Equipment $	Office Equipment $	Automotive Equipment $	Leasehold Improvements $	Assets under Finance Leases $	Buildings $	Land $	Total $
Cost:								
January 1, 2010	76,029	40,397	7,123	58,855	3,680	9,144	1,837	197,065
Additions	11,898	2,997	659	8,008	32	92	640	24,326
Additions arising on acquisitions	3,356	3,228	877	5,365	33	1,038	28	13,925
Disposals	(5,066)	(1,064)	(723)	(2,054)	-	-	-	(8,907)
Transferred to held for sale	-	-	(140)	-	-	(1,892)	(505)	(2,537)
Transfers	210	7	415	68	(700)	-	-	-
Impact of foreign exchange	(1,559)	(696)	(256)	(1,019)	1	(157)	(39)	(3,725)
December 31, 2010	84,868	44,869	7,955	69,223	3,046	8,225	1,961	220,147
Additions	10,880	2,598	872	7,110	-	-	(140)	21,320
Additions arising on acquisitions	837	768	282	2,319	54	-	-	4,260
Disposals	(4,887)	(1,805)	(1,034)	(8,066)	(28)	-	-	(15,820)
Transferred to held for sale	-	-	-	-	-	(1,006)	(523)	(1,529)
Transfers	712	112	199	-	(1,023)	-	-	-
Impact of foreign exchange	758	318	118	568	(3)	35	15	1,809
December 31, 2011	**93,168**	**46,860**	**8,392**	**71,154**	**2,046**	**7,254**	**1,313**	**230,187**
Accumulated depreciation:								
January 1, 2010	44,593	22,558	4,850	16,276	953	5	-	89,235
Current year depreciation	9,685	3,955	845	8,884	684	1,408	-	25,461
Disposals	(4,179)	(608)	(421)	(1,399)	44	-	-	(6,563)
Transferred to held for sale	-	-	165	-	-	(301)	-	(136)
Transfers	173	(3)	238	-	(408)	-	-	-
Impact of foreign exchange	(766)	(274)	(167)	(314)	(2)	(16)	-	(1,539)
December 31, 2010	49,506	25,628	5,510	23,447	1,271	1,096	-	106,458
Current year depreciation	10,974	4,324	883	10,452	339	961	-	27,933
Disposals	(4,162)	(1,382)	(904)	(6,531)	(15)	-	-	(12,994)
Transferred to held for sale	-	-	-	-	-	(18)	-	(18)
Transfers	414	49	129	-	(592)	-	-	-
Impact of foreign exchange	470	185	74	208	-	18	-	955
December 31, 2011	**57,202**	**28,804**	**5,692**	**27,576**	**1,003**	**2,057**	**-**	**122,334**
Net book value:								
At January 1, 2010	31,436	17,839	2,273	42,579	2,727	9,139	1,837	107,830
At December 31, 2010	35,362	19,241	2,445	45,776	1,775	7,129	1,961	113,689
At December 31, 2011	**35,966**	**18,056**	**2,700**	**43,578**	**1,043**	**5,197**	**1,313**	**107,853**

Included in leasehold improvements is construction work in progress in the amount of $24,000 (December 31, 2010 – $347,000), on which depreciation has not started. The Company entered into finance leases for certain office and automotive equipment.

Revaluation of land and buildings

Land and buildings balances, including investment property (see below) in existence as at January 1, 2010, were revalued by professional valuators at that date on an existing-use basis. As stated in the accounting policies note, this revaluation has been carried forward as deemed cost under the transitional provisions of IFRS 1.

Investment property

Investment property is measured initially at cost, including transaction costs (except at January 1, 2010, on transition to IFRS, investment property was measured at fair value). Subsequent to initial recognition, investment properties are stated at amortized cost. At January 1, 2010, the fair value of the investment property was $881,000. The fair value was determined based on valuations performed by an independent professional valuator. As at December 31, 2010, the investment property was transferred to assets held for sale.

11. Goodwill

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $
Net goodwill, beginning of the year	**548,272**	468,814
Current year acquisitions	**43,617**	96,344
Impairment	**(90,000)**	-
Impact of foreign exchange	**7,139**	(16,886)
Net goodwill, end of the year	**509,028**	548,272
Gross goodwill, end of the year	**687,028**	636,272
Accumulated impairment losses	**(178,000)**	(88,000)
Net goodwill, end of the year	**509,028**	548,272

Goodwill arising on acquisitions includes factors such as the expertise and reputation of the assembled workforce acquired, the geographic location of the acquiree, and the expected synergies.

Effective the third quarter of 2011, the Company changed the date of its annual goodwill impairment test to October 1 from July 1. In accordance with its accounting policies, the Company conducts a goodwill impairment test annually or more frequently if circumstances indicate that an impairment may occur or if a significant acquisition occurs between the annual impairment date and December 31.

In 2010, the Company performed an impairment test as at January 1, 2010, on transition to IFRS as required by IFRS 1. In addition, the Company performed its annual goodwill impairment test as at July 1, 2010. Due to the acquisitions completed in the third and fourth quarters of 2010, an impairment test was also performed as at December 31, 2010. Based on the results of these tests, the Company concluded that the recoverable amount of its CGUs exceeded their carrying amount and, therefore, goodwill was not impaired.

The Company allocates goodwill to its CGUs, which are also its operating segments. These CGUs are defined based on the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Other factors are considered, including how management

monitors the entity's operations. In 2010, the Company defined its CGUs as Canada East, Canada West, US East, and US West. With its growth internationally in 2010 and resulting reorganization, the Company redefined its CGUs as Canada, the United States, and International, effective January 1, 2011. The Company does not monitor goodwill at or allocate goodwill to its practice area units.

On October 1, 2011, the Company performed its annual goodwill impairment test in accordance with its policy as described in note 4. Due to stock market fluctuations, the Company's share price decreased as at October 1, 2011, adversely impacting its market capitalization. In addition, due to ongoing challenging economic conditions, the short-term performance of the Company's US and International CGUs was weaker than expected. Considering these factors and their impact on the annual goodwill impairment test, the Company concluded that goodwill was impaired and, in the fourth quarter, recorded a $90.0 million non-cash goodwill impairment charge to income. The Company allocated $78.8 million of this charge to the US CGU and $11.2 million to the International CGU. This non-cash charge does not impact the operations of the Company.

The Company has allocated its goodwill to its CGUs as follows:

(In thousands of Canadian dollars)	**December 31 2011 $**
Canada	**247,734**
United States	**261,294**
International	**-**
Allocated	**509,028**

(In thousands of Canadian dollars)	December 31 2010 $	January 1 2010 $
Canada East	79,396	77,645
Canada West	130,020	121,445
US East	126,325	117,368
US West	176,931	152,356
Allocated	512,672	468,814
Unallocated	35,600	-
	548,272	468,814

At December 31, 2010, the goodwill associated with the Burt Hill acquisition remained unallocated to the Company's CGUs due to a lack of available information.

Management believes that the methodology used to test impairment of goodwill, which involves a significant number of judgments and estimates, provides a reasonable basis for determining whether an impairment has occurred. Many of the factors used in determining whether or not goodwill is impaired are outside management's control and involve inherent uncertainty. Therefore, actual results could differ from those estimated. It is reasonably likely that assumptions and estimates will change in future periods and could have a significant impact on the recoverable amount of a CGU, resulting in impairments.

Valuation techniques

In performing the goodwill impairment test, the Company compares the recoverable amount of its CGUs to their respective carrying amounts. If the carrying amount of a CGU is higher than its recoverable amount, an impairment charge is recorded as a reduction in the carrying amount of the goodwill on the consolidated statements of financial position and recognized as a non-cash impairment charge in income.

The Company estimates the recoverable amount by using the fair value less costs to sell approach. It estimates fair value using market information and discounted after-tax cash flow projections, which is known as the income approach. The income approach uses a CGU's projection of estimated operating results and discounted cash flows based on a discount rate that reflects current market conditions. The Company uses cash flow projections from financial forecasts approved by senior management covering a five-year period. For its October 1, 2011, impairment test, the Company discounted its CGUs' cash flows using after-tax discount rates ranging from 9.6% to 17% (December 31, 2010 – 9.75% to 11.75%; July 1, 2010 – 9.7% to 11.5%; January 1, 2010 – 10% to 12%). To arrive at cash flow projections, the Company used estimates of economic and market information over the projection period as described in note 5.

The Company validates its estimate of the fair value of each CGU under the income approach by comparing the resulting multiples to multiples derived from comparable public company transactions or acquisition multiples on comparable private company transactions. The Company reconciles the total of the fair values of its CGUs with its market capitalization to determine if the sum of the individual fair values is reasonable. If the reconciliation indicates a significant difference between the external market capitalization and the fair values of the CGUs, the Company reviews and adjusts, if appropriate, the discount rates by CGUs and considers if the implied control premium is reasonable in light of current market conditions.

Although the Company has reduced the carrying amount of goodwill, if market and economic conditions deteriorate or if continued volatility in the financial markets causes declines in the Company's share price, increases the weighted average cost of capital, or changes valuation multiples or other inputs to its goodwill assessment, the Company may need to test its goodwill for impairment between its annual testing periods. In addition, it is possible that changes in the numerous variables associated with the judgments, assumptions, and estimates made by management in assessing the fair value of the Company's goodwill could cause its CGUs to be further impaired. Goodwill impairment charges are non-cash charges that could have a material adverse effect on the Company's consolidated financial statements but in themselves do not have any adverse effect on its liquidity, cash flows from operating activities, or debt covenants and will not have an impact on its future operations.

Key assumptions

The calculation of fair value less costs to sell for all CGUs is most sensitive to the following assumptions:

- Operating margins based on actual experience and management's long-term projections.
- Discount rates reflecting investors' expectations when discounting future cash flows to a present value, taking into consideration market rates of return, capital structure, company size, and industry risk. This rate is further adjusted to reflect risks specific to the CGU for which future estimates of cash flows have not been adjusted.
- Growth rate estimates based on actual experience and market analysis. Projections are extrapolated beyond five years using a growth rate that typically does not exceed 4.0%.

Sensitivity to changes in assumptions

As at October 1, 2011, the recoverable amount of the Company's Canadian CGUs exceeded its carrying amount by a substantial amount. With regard to the assessment of fair value less costs to sell, management believes that no reasonably possible change in any of the above key assumptions would have caused the carrying amount of the Canadian CGU to materially exceed its recoverable amount.

12. Intangible Assets

(In thousands of Canadian dollars)	Client Relationships $	Contract Backlog $	Software $	Other $	Total $	Total Lease Disadvantage (note 21) $
Cost:						
January 1, 2010	61,391	11,048	13,774	4,764	90,977	-
Additions	-	-	11,310	-	11,310	-
Additions – internal development	-	-	489	-	489	-
Additions arising on acquisitions	13,119	5,289	391	195	18,994	-
Removal of fully amortized assets	-	(5,540)	(3,631)	(1,397)	(10,568)	-
Impact of foreign exchange	(2,408)	(209)	(8)	(55)	(2,680)	-
December 31, 2010	72,102	10,588	22,325	3,507	108,522	-
Additions	-	-	4,324	-	4,324	-
Additions – internal development	-	-	2,757	-	2,757	-
Additions arising on acquisitions	1,709	7,828	-	1,998	11,535	(5,975)
Removal of fully amortized assets	(439)	(7,811)	(2,681)	(1,702)	(12,633)	-
Impact of foreign exchange	1,124	222	9	5	1,360	(27)
December 31, 2011	**74,496**	**10,827**	**26,734**	**3,808**	**115,865**	**(6,002)**
Accumulated amortization:						
January 1, 2010	18,431	5,349	4,389	2,477	30,646	-
Current year amortization	4,845	6,082	5,648	714	17,289	-
Removal of fully amortized assets	-	(5,540)	(3,631)	(1,397)	(10,568)	-
Impact of foreign exchange	(763)	(78)	(44)	(96)	(981)	-
December 31, 2010	22,513	5,813	6,362	1,698	36,386	-
Current year amortization	5,179	6,209	5,898	2,158	19,444	(1,049)
Removal of fully amortized assets	(439)	(7,811)	(2,681)	(1,702)	(12,633)	-
Impact of foreign exchange	414	201	2	4	621	(2)
December 31, 2011	**27,667**	**4,412**	**9,581**	**2,158**	**43,818**	**(1,051)**
Net book value:						
At January 1, 2010	42,960	5,699	9,385	2,287	60,331	-
At December 31, 2010	49,589	4,775	15,963	1,809	72,136	-
At December 31, 2011	**46,829**	**6,415**	**17,153**	**1,650**	**72,047**	**(4,951)**

Once an intangible asset is fully amortized, the gross carrying amount and related accumulated amortization are removed from the accounts. Other than goodwill, the Company has not recorded any intangible assets with indefinite lives. Included in software are finance leases with a net book value of $8,712,000 (December 31, 2010 – $10,744,000; January 1, 2010 – $5,228,000). Also included in software is $3,246,000 in internally generated software that is not ready for use and, therefore, is not being amortized.

In accordance with its accounting policies in note 4, the Company tests intangible assets for recoverability when events or a change in circumstances indicate that their carrying amount may not be recoverable. The determination of recoverability is based on an estimate of discounted cash flows, using the fair value less costs to sell method, and the measurement of impairment loss is based on the amount that the carrying amount of an intangible asset exceeds its recoverable amount. As part of the impairment test, the Company updates its future cash flow assumptions and estimates, including factors such as current and future contracts with clients, margins, market conditions, and the useful lives of the assets. During 2011, the Company concluded that there were no indicators of impairment to intangible assets.

The Company performed an impairment test as at January 1, 2010, on transition to IFRS as required by IFRS 1. As a result of this review, the Company recorded a $3,824,000 non-cash impairment charge to opening retained earnings for 2010. This non-cash impairment charge related to certain client relationships and a lease advantage. The impairment primarily reflected a decline in expected future cash flows from these clients and a reduction in the value of a favorable lease in the Company's New York, New York, office. The remaining carrying amount of these specific client relations, following this impairment charge, was $5,115,000. The carrying amount of the favorable lease was reduced to zero.

13. Interests in Joint Ventures

The Company participates in joint ventures with other parties as follows:

	Percent Owned (%)		
	December 31 2011	December 31 2010	January 1 2010
yyC.T. Joint Venture	**17**	17	17
Dunlop Joint Ventures	**53**	53	50-53
Stantec Architecture Ltd./J.L. Richards & Associates Joint Venture	**50**	50	50
Smith/Chong Joint Venture	**50**	50	50
Coleson Power Group Inc.	**50**	50	50
ACCENT Engineering Consultants Incorporated	**40**	40	40
FFEB JV, L.L.C.	**30**	30	30
Jacobs/Stantec JV	**50**	50	50
Hatch McIntosh Alliance Joint Venture	**50**	50	50
Kuwabara Payne McKenna Blumberg (KPMB)	**50**	50	50
HNTB Joint Venture	**50**	50	50
STARR	**15**	15	15
EM&I Stantec Ltd.	**50**	50	50
Stassinu Stantec Limited Partnership	**49**	49	49
Granary/Driscoll Joint Venture	**50**	50	50
INCA/FMSM	**50**	50	n/a
Consorcio Stantec Architecture Ltd. y Capitel S.A. Limitada	**60**	n/a	n/a

A summary of the assets, liabilities, revenues, expenses, and cash flows included in the consolidated financial statements related to joint ventures (before intercompany eliminations) is as follows:

Investments in joint ventures *(In thousands of Canadian dollars)*	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Current assets	**5,183**	7,693	9,655
Non-current assets	**90**	85	127
Current liabilities	**3,575**	5,950	7,950

Share of after-tax profit from joint ventures *(In thousands of Canadian dollars)*	For the year ended December 31 **2011** **$**	 2010 $
Gross revenue	**14,127**	24,000
Subcontractor costs and other direct expenses	**(12,512)**	(21,193)
Administrative and marketing expenses	**(1,033)**	(1,533)
Profit before income taxes	**582**	1,274
Income tax expense	**(196)**	(73)
Profit for the year from joint ventures	**386**	1,201

Statements of cash flows *(In thousands of Canadian dollars)*	For the year ended December 31 **2011** **$**	 2010 $
Cash flows (used in) operating activities	**(500)**	(817)

The Company has no share of any contingent liabilities or capital commitments in its joint ventures as at December 31, 2011, and December 31, 2010.

14. Investments in Associates

The following table lists the Company's investments in associates:

Name	Jurisdiction of Incorporation	% Equity Interest **December 31 2011**	 December 31 2010	 January 1 2010
ADC-Stantec Inc.	Ontario, Canada	**49**	49	49
AIVEK Stantec Limited Partnership	Newfoundland and Labrador, Canada	**49**	49	49
CLFN-AXYS Limited Partnership	Alberta, Canada	**49**	49	49
Deton'Cho Stantec Limited Partnership	Northwest Territories, Canada	**49**	-	-
Deton'Cho Stantec Ltd.	Northwest Territories, Canada	**49**	-	-
Fort McKay-Stantec Evergreen Inc.	Alberta, Canada	**49**	49	49
Fugro Jacques GeoSurveys Inc.	Newfoundland and Labrador, Canada	**-**	-	30
Fugro Jacques N.V.	Curacao	**-**	-	30
KAVIK-STANTEC INC.	Northwest Territories, Canada	**20**	24.5	24.5
Neegan Naynowan Stantec LP	Ontario, Canada	**49**	49	49
Nunami Stantec Limited	Nunavut, Canada	**49**	49	49
Planning & Stantec Limited	Trinidad and Tobago	**50**	50	50
SSBV Consultants Inc.	British Columbia, Canada	**33 1/3**	33 1/3	33 1/3
Teshmont Consultants Inc.	Canada	**50**	50	50

These associated companies are private entities that are not listed on any public exchange.

On August 31, 2010, the Company sold its 30% equity investments in Fugro Jacques Geosurveys Inc. and Fugro Jacques N.V. for an aggregate price of $10,000,000, resulting in a $7,183,000 ($5,942,000 net of tax) gain on sale.

The following table illustrates summarized financial information about the Company's investment in associated companies:

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Share of the associates' statements of financial position:			
Assets	**3,515**	3,885	7,475
Liabilities	**1,770**	1,675	3,139
Equity	**1,745**	2,210	4,336
Carrying amount of the investment	**2,365**	2,831	6,631

(In thousands of Canadian dollars)	For the year ended December 31 **2011 $**	2010 $
Share of the associates' revenue and profits:		
Revenue	**4,009**	6,565
Profits	**793**	2,209

15. Other Financial Assets

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Investments held for self-insured liabilities	**55,009**	46,578	38,418
Investments	**4,828**	5,411	1,459
Holdbacks on long-term contracts	**6,637**	5,966	3,411
Indemnifications	**2,329**	1,937	2,139
Future sublease revenue	**6,893**	5,847	6,369
Other	**522**	2,085	1,525
	76,218	67,824	53,321
Less current portion	**14,612**	10,589	4,664
Long-term portion	**61,606**	57,235	48,657

Investments held for self-insured liabilities

Investments held for self-insured liabilities consist of government and corporate bonds and equity securities. These investments are classified as available for sale and are stated at fair value.

The fair value of the bonds at December 31, 2011, was $38,280,000 (December 31, 2010 – $31,564,000; January 1, 2010 – $26,748,000), and the fair value of the equities was $16,729,000 (December 31, 2010 – $15,014,000; January 1, 2010 – $11,670,000). The amortized cost of the bonds at December 31, 2011, was $37,642,000 (December 31, 2010 – $31,002,000; January 1, 2010 – $26,250,000) and the cost of the equities was $16,451,000 (December 31, 2010 – $13,040,000; January 1, 2010 – $11,556,000). The bonds bear interest at rates ranging from 0.38% to 5.50% per annum (December 31, 2010 – 1.43% to 5.50%; January 1, 2010 – 2.63% to 7.00%).

The term to maturity of the bond portfolio, stated at fair value, is as follows:

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Within one year	**10,085**	3,433	3,780
After one year but less than five years	**28,195**	28,131	22,968
Total	**38,280**	31,564	26,748

Indemnifications

If the Company is contractually indemnified by an acquiree for the outcome of a contingency, it must recognize an indemnification asset at the same time that it recognizes a provision. The asset and liability are initially recognized at the fair value on the acquisition date based on expected probable outcome. The Company's indemnifications relate to certain legal claims (note 19). During 2011, the Company decreased provisions and indemnification assets relating to prior acquisitions by $416,000 due to new information obtained in the year.

Future sublease revenue

When the Company ceases to use an office space under an operating lease arrangement, or sublets part of an office space at a loss compared to its original operating lease arrangement, it records a liability for the present value of future lease payments, as well as an asset for the present value of the future rental income that is virtually certain.

16. Other Assets

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Assets held for sale	**2,551**	3,381	844
Other	**2,278**	2,134	3,390
	4,829	5,515	4,234
Less current portion	**3,172**	4,176	4,234
Long-term portion	**1,657**	1,339	-

The Company is in the process of selling certain buildings, land, and equipment. These properties meet the criteria for assets held for sale, with the expectation of selling these assets within 2012. Therefore, these assets are measured at the lower of their carrying amount and fair value less costs to dispose, are no longer depreciated, and are classified as a current asset.

During 2011, the Company sold buildings, land, and equipment classified as held for sale with a net loss on sale of $432,000, which was recorded in administrative and marketing expenses in the consolidated statements of income.

17. Trade and Other Payables

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Trade accounts payable	**65,735**	64,097	63,204
Employee and payroll liabilities	**104,172**	93,636	77,582
Accrued liabilities	**21,952**	28,554	18,607
	191,859	186,287	159,393

18. Long-Term Debt

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Non-interest-bearing note payable	**214**	195	177
Other notes payable	**83,162**	91,903	91,830
Bank loan	**83,476**	220,217	134,600
Senior secured notes	**124,000**	-	-
Finance lease obligations	**5,342**	9,715	7,590
	296,194	322,030	234,197
Less current portion	**59,593**	46,394	35,428
Long-term portion	**236,601**	275,636	198,769

Non-interest-bearing note payable

The non-interest-bearing note payable is due November 1, 2027, in the amount of $933,000. The note's carrying amount of $214,000 is determined using a discount rate of 9.75%. If the non-interest-bearing note payable was discounted at interest rates in effect at December 31, 2011, the fair value of the note would be $622,000 (December 31, 2010 – $468,000; January 1, 2010 – $318,000).

Other notes payable

The weighted average rate of interest on the other notes payable is 3.18% (December 31, 2010 – 4.29%; January 1, 2010 – 4.98%). The notes may be supported by promissory notes and are due at various times from 2012 to 2014. The aggregate maturity value of the notes is $84,003,000 (December 31, 2010 – $91,922,000; January 1, 2010 – $91,895,000). As at December 31, 2011, $39,880,000 (US$39,213,000) (December 31, 2010 – $43,015,000; January 1, 2010 – $25,684,000) of the notes' carrying amount was payable in US funds (December 31, 2010 – US$43,249,000; January 1, 2010 – US$24,438,000). The carrying amount of the other notes payable approximates their fair value based on interest rates in effect at December 31, 2011.

Bank loan

During the third quarter of 2011, the Company extended the maturity date of its existing $350 million revolving credit facility to August 31, 2015. This facility also allows the Company access to an additional $75 million under the same terms and conditions on approval from its lenders. The facility is available for future acquisitions, working capital needs, and general corporate purposes. Depending on the form under which the credit facility is accessed, rates of interest will vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates, plus specified basis points. The specified basis points may vary, depending on the Company's level of consolidated debt to EBITDA (a non-IFRS measure), from 50 to 175 for Canadian prime and US base rate loans and from 150 to 275 for bankers' acceptances, LIBOR loans, and letters of credit. Prior to the extension, the basis points varied, depending on the Company's level of consolidated debt to EBITDA, from 100 to 225 for Canadian prime and US base rate loans and from 200 to 325 for bankers' acceptances, LIBOR loans, and letters of credit. As at December 31, 2011, $28,476,000 of the bank loan was payable in US funds (US$28,000,000), and $55,000,000 was payable in Canadian funds. As at December 31, 2010, $144,217,000 of the bank loan was payable in US funds (US$145,000,000), and $76,000,000 was payable in Canadian funds. As at January 1, 2010, $105,100,000 of the bank loan was payable in US funds (US$100,000,000), and $29,500,000 was payable in Canadian funds. Loans may be repaid under the credit facility from time to time at the option of the Company. The credit facility contains restrictive covenants (note 27).

The average interest rate applicable at December 31, 2011, was 2.65% (December 31, 2010 – 2.97%; January 1, 2010 – 3.42%) (note 30). The Company entered into an interest rate swap agreement during 2008 that had the effect of converting the variable interest obligation associated with US$100 million of the credit facility, based on a LIBOR rate, into a fixed interest rate of 3.43%, plus an applicable basis points spread, which expired on September 3, 2010 (note 23).

The funds available under the revolving credit facility are reduced by any outstanding letters of credit issued pursuant to this facility agreement. At December 31, 2011, the Company had issued and outstanding letters of credit, expiring at various dates before January 2013, totaling $4,661,000 (December 31, 2010 – $4,736,000; January 1, 2010 – $141,000) payable in Canadian funds; $1,369,000 (US$1,346,000) (December 31, 2010 – $1,286,000, US$1,293,000; January 1, 2010 – $1,882,000, US$1,791,000) payable in US funds; $920,000 (QAR3,272,000) (December 31, 2010 – $467,000, QAR1,724,000) payable in Qatari rial funds; and $42,000 (AED150,000) payable in Dirham funds. These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations. At December 31, 2011, $259,532,000 (December 31, 2010 – $123,294,000; January 1, 2010 – $163,377,000) was available in the revolving credit facility for future activities.

As at December 31, 2011, no additional letters of credit assumed from acquisitions were outstanding. As at December 31, 2010, $142,000 (US$143,000) in additional letters of credit payable in US funds and $5,000 payable in Canadian funds were assumed from acquisitions (January 1, 2010 – $518,000 (US$493,000) payable in US funds, $114,000 payable in Canadian funds.) The Company has a surety facility to facilitate, as part of the normal course of operations, the issuance of bonds for certain types of project work. As at December 31, 2011, $11,334,000 (US$11,145,000) (December 31, 2010 – $11,472,000, US$11,535,000; January 1, 2010 – $11,470,000, US$10,913,000) in bonds had been issued under this surety facility.

During the fourth quarter of 2011, the Company amended its $350 million revolving credit facility to add a bid bond facility in the amount of $10 million. This facility also allows the Company to access an additional $5 million under the same terms and conditions upon approval from its lenders. This facility may be used for the issuance of bid bonds, performance guarantees, letters of credit, and documentary credits in an international currency. At December 31, 2011, $366,000 (CLP187,080,000), payable in Chilean pesos funds, had been issued under this bid bond facility.

Senior secured notes

On May 13, 2011, the Company issued $70 million of 4.332% senior secured notes due May 10, 2016, and $55 million of 4.757% senior secured notes due May 10, 2018. These amounts were recorded net of transaction costs of $1,115,000. The senior secured notes were issued pursuant to an indenture dated May 13, 2011, between the Company, as issuer, and BNY Trust Company of Canada, as trustee and collateral agent. The senior secured notes are ranked *pari passu* with the Company's existing revolving credit facility.

Interest on the senior secured notes is payable semi-annually in arrears on May 10 and November 10 each year commencing on November 10, 2011, until maturity or the earlier payment, redemption, or purchase in full of the senior secured notes (note 30). The Company may redeem the senior secured notes, in whole at any time or in part from time to time, at specified redemption prices and subject to certain conditions required by the indenture. The Company may purchase its senior secured notes for cancellation at any time. The senior secured notes contain restrictive covenants (note 27). All the assets of the Company are held as collateral under a general security agreement for the revolving credit facility and the senior secured notes.

Finance lease obligations

The Company has finance leases for software, motor vehicles, and equipment. As at December 31, 2011, the Company's finance lease obligations included finance leases bearing interest at rates ranging from 3.02% to 9.60% (December 31, 2010 – 2.29% to 13.89%; January 1, 2010 – 2.30% to 14.71%). These finance leases expire at various dates before January 2015.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Within one year	**5,074**	5,177	3,108
After one year but less than five years	**362**	4,830	5,011
Total minimum lease payments	**5,436**	10,007	8,119
Present value of minimum lease payments	**5,342**	9,715	7,590

19. Provisions

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Provision for self-insured liabilities	**36,662**	33,372	31,284
Lease exit liabilities and onerous contracts	**10,233**	11,758	16,564
Provisions for claims	**11,554**	11,310	9,671
	58,449	56,440	57,519
Less current portion	**16,373**	17,297	15,287
Long-term portion	**42,076**	39,143	42,232

Provision for self-insured liabilities

The Company self-insures a portion of its estimated liabilities that may arise in connection with reported legal claims (note 24). This provision for self-insured liabilities is based on the results of an actuarial review performed in 2011 and 2010, with the current and long-term portion determined based on the actuarial estimate. Due to the nature of this provision, the timing of outflows is uncertain. At December 31, 2011, the long-term portion was $34,189,000 (December 31, 2010 – $30,256,000; January 1, 2010 – $29,424,000).

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $
Provision, beginning of the year	**33,372**	31,284
Current-year provision	**9,348**	9,405
Payment for claims settlement	**(6,750)**	(6,294)
Impact of foreign exchange	**692**	(1,023)
Provision, end of the year	**36,662**	33,372

Lease exit liabilities and onerous contracts

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $
Liability, beginning of the year	**11,758**	16,564
Current-year provision	**3,243**	1,706
Resulting from acquisitions	**909**	-
Costs paid or otherwise settled	**(5,876)**	(6,090)
Impact of foreign exchange	**199**	(422)
Liability, end of the year	**10,233**	11,758

Payments for lease exit liabilities will occur until July 2017.

Provisions for claims

Provisions for claims include an estimate for legal claims covered by third-party insurance. Due to the legal nature of this provision, the timing of outflows is uncertain. Often, these legal claims are from prior acquisitions and may be indemnified by the acquiree (notes 7 and 15).

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $
Provision, beginning of the year	**11,310**	9,671
Current-year provision	**2,115**	1,557
Claims from acquisitions	**2,039**	3,727
Claims paid or otherwise settled	**(4,052)**	(3,533)
Impact of foreign exchange	**142**	(112)
Provision, end of the year	**11,554**	11,310

20. Other Financial Liabilities

(In thousands of Canadian dollars)	Notes	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Interest accrued on other notes payable	18	**5,193**	5,746	4,622
Loss on derivative financial instruments	23	**-**	-	2,427
Contingent consideration	7	**-**	4,603	5,854
Other		**2,106**	4,805	899
		7,299	15,154	13,802
Less current portion		**5,042**	9,365	6,196
Long-term portion		**2,257**	5,789	7,606

21. Other Liabilities

(In thousands of Canadian dollars)	Notes	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Deferred gain on sale leaseback		**4,004**	4,441	4,877
Lease inducement benefits		**27,258**	23,435	21,764
Lease disadvantages	12	**4,951**	-	-
Deferred share units payable	25	**3,712**	3,294	2,361
Restricted share units payable	25	**904**	-	-
Liability for uncertain tax positions		**1,570**	1,473	1,529
		42,399	32,643	30,531
Less current portion		**5,208**	3,313	3,811
Long-term portion		**37,191**	29,330	26,720

Deferred gain on sale leaseback

In 2004, the Company completed the sale of its office building in Edmonton, Alberta, for cash proceeds of $34,500,000. Concurrent with the sale, the Company leased the property back for a period of 15 years. The lease is accounted for as an operating lease. The resulting gain of $7,103,000 was deferred and is being amortized over the lease term.

22. Commitments

The Company has entered into various operating lease commitments, including commitments for annual basic premises rent under long-term leases, storage facilities, and equipment and vehicle operating leases. The Company also entered into purchase obligations for software support. Depending on the agreement, the Company may enter into renewal options or escalation clauses.

Future minimum rentals payable under non-cancellable operating leases and purchase obligations as at December 31, 2011, are as follows:

(In thousands of Canadian dollars)	$
Within one year	85,529
After one year but less than five years	244,344
More than five years	127,708
	457,581

The premises rental expense for the year ended December 31, 2011, was $70,625,000 (December 31, 2010 – $63,255,000).

Sublease rental income for the year ended December 31, 2011, was $3,965,000 (December 31, 2010 – $3,403,000). Receivables for future sublease revenue totals $8,651,000.

23. Derivative Financial Instruments

As at December 31, 2011, and December 31, 2010, the Company had no forward contract arrangements. As at January 1, 2010, the Company had entered into foreign currency forward contract arrangements that provided for the purchase of US$75,000,000 at rates ranging from 1.05310 to 1.05485 per US dollar maturing over the next month. These derivative financial instruments are entered into to mitigate the risk of foreign currency fluctuations on net operating assets denominated in US dollars. The fair value of these contracts, estimated using third-party market indications and forecasts as at January 1, 2010, was an unrealized loss of $270,000. The unrealized losses relating to these derivative financial instruments were recorded in income as foreign exchange gains or losses and in the consolidated statements of financial position as other financial liabilities. These foreign currency forward contracts are not designated as a hedge.

During 2008, the Company entered into a US$100 million interest rate swap agreement that matured on September 3, 2010. This swap agreement had the effect of converting the variable interest rate on US$100 million of the Company's revolving credit facility, based on a LIBOR rate, into a fixed interest rate of 3.43%, plus an applicable basis points spread. The fair value of the interest rate swap, estimated using third-party market indicators and forecasts at January 1, 2010, was an unrealized loss of $2,157,000 ($1,531,000 net of tax). The Company did not designate the interest rate swap as a hedge; therefore, the unrealized gains or losses relating to this derivative financial instrument were recorded in income as an other net finance income (expense) and in the consolidated statements of financial position as an other financial liability or asset.

24. Contingencies and Guarantees

In the normal conduct of operations, various legal claims are pending against the Company alleging, among other things, breaches of contract or negligence in connection with the performance of consulting services. The Company carries professional liability insurance, subject to certain deductibles and policy limits, and has a captive insurance company that provides insurance protection against such claims. In some cases, parties are seeking

damages that substantially exceed the Company's insurance coverage. Based on advice and information provided by legal counsel, the Company's previous experience with the settlement of similar claims, and the results of the annual actuarial review, management believes that the Company has recognized adequate provision for probable and reasonably estimable liabilities associated with these claims and that their ultimate resolution will not materially exceed insurance coverages or have a material adverse effect on the Company's consolidated financial position or annual results of operations. Management cannot estimate the extent to which losses exceeding those already recorded in the consolidated financial statements may be incurred.

During 2009, the Company issued a guarantee, up to a maximum of US$60 million, for project work with the US federal government. If the guarantee is exercised, the Company has recourse to its insurers, subject to certain deductibles, policy terms, and limits, to recover claims costs and damages arising from errors or omissions in professional services. At December 31, 2011, $104,000 of this guarantee has been exercised, but the Company has not made any payments under this guarantee, and no amounts have been accrued in the consolidated financial statements with respect to the guarantee.

In the normal course of business, the Company provides indemnifications and, in very limited circumstances, surety bonds. These are often standard contractual terms and are provided to counterparties in transactions such as purchase and sale contracts for assets or shares, service agreements, and leasing transactions. The Company also indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. These indemnifications may require the Company to compensate the counterparty for costs incurred as a result of various events, including changes to or in the interpretation of laws and regulations, or as a result of damages or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnifications will vary based upon the contract, the nature of which prevents the Company from making a reasonable estimate of the maximum potential amount that it could be required to pay to counterparties. The Company carries liability insurance, subject to certain deductibles and policy limits, that provides protection against certain insurable indemnifications. Historically, the Company has not made any significant payments under such indemnifications, and no amounts have been accrued in the accompanying consolidated financial statements with respect to these indemnifications.

25. Share Capital

Authorized

Unlimited	Common shares, with no par value
Unlimited	Preferred shares issuable in series, with attributes designated by the board of directors

Common shares

During 2011, 459,600 (2010 – 198,300) common shares were repurchased for cancellation pursuant to an ongoing normal course issuer bid at a cost of $11,074,000 (2010 – $4,887,000). Of this amount, $2,270,000 and $145,000 (2010 – $965,000 and $59,000) reduced the share capital and contributed surplus accounts, respectively, with $8,659,000 (2010 – $3,863,000) being charged to retained earnings.

During Q2 2011, the Company renewed its normal course issuer bid with the TSX, which enables it to purchase up to 2,287,592 common shares during the period of June 1, 2011, to May 31, 2012.

During 2011, the Company recognized a share-based compensation expense of $5,575,000 (2010 – $2,822,000) in administrative and marketing expenses. Of the amount expensed, $2,700,000 related to the fair value of options granted, and $2,875,000 related to cash-settled share-based compensation. Of the amount expensed during 2010, $1,889,000 related to the fair value of options granted, and $933,000 related to deferred share unit compensation.

The fair value of options granted was reflected through contributed surplus, and the cash-settled share-based compensation was reflected through other liabilities. Upon the exercise of share options for which a share-based compensation expense has been recognized, the cash paid, together with the related portion of contributed surplus, is credited to share capital.

During Q2 2010, the Company filed a short-form base shelf prospectus with all securities regulatory authorities in Canada. The Company concurrently filed a shelf registration statement in the United States on Form F-10, which was effective upon filing in definitive form. Pursuant to the prospectus, the Company may issue up to $300 million in common shares from time to time during a 25-month period effective May 6, 2010, by way of one or more prospectus supplements. As at December 31, 2011, no common shares were issued pursuant to the prospectus.

Share options

Under the Company's share option plan, options to purchase common shares may be granted by the board of directors to officers and employees. Options are granted at exercise prices equal to or greater than fair market value at the issue date, generally vest evenly over a three-year period, and have contractual lives that range from 7 to 10 years. The aggregate number of common shares reserved for issuance that may be purchased upon the exercise of options granted pursuant to the plan shall not exceed 4,487,026 common shares. At December 31, 2011, 1,523,232 (December 31, 2010 – 1,835,566; January 1, 2010 – 1,813,899) options were available for issue.

The Company has granted share options to officers and employees to purchase 1,578,300 shares at prices between $12.17 and $30.61 per share. These options expire on dates between January 3, 2013, and January 28, 2018.

	December 31 2011		December 31 2010	
	Shares #	**Weighted Average Exercise Price $**	Shares #	Weighted Average Exercise Price $
Share options, beginning of the year	**1,480,831**	**24.31**	1,752,298	22.65
Granted	**410,000**	**28.65**	-	-
Exercised	**(214,865)**	**13.34**	(249,800)	12.19
Forfeited	**(26,668)**	**28.70**	(10,838)	29.59
Cancelled	**(70,998)**	**29.24**	(10,829)	29.77
Share options, end of the year	**1,578,300**	**26.64**	1,480,831	24.31

The options held by officers and employees at December 31, 2011, were as follows:

Options Outstanding				Options Exercisable		
Range of Exercise Prices $	Outstanding #	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price $	Shares Exercisable #	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price $
12.17-13.55	**120,000**	**1.01**	**12.86**	**120,000**	**1.01**	**12.86**
20.37-20.42	**283,300**	**1.65**	**20.39**	**283,300**	**1.65**	**20.39**
28.65-30.61	**1,175,000**	**4.11**	**29.55**	**790,000**	**3.15**	**29.99**
12.17-30.61	**1,578,300**	**3.43**	**26.64**	**1,193,300**	**2.58**	**25.99**

The fair value of options granted subsequent to January 1, 2002, is determined at the date of grant using the Black-Scholes option-pricing model. The model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected share price volatility.

The estimated fair value of options granted in 2011 at the share market price on the grant date was determined using the weighted average assumptions indicated below:

	December 31 2011
Risk-free interest rate (%)	**2.63**
Expected hold period to exercise (years)	**5.50**
Volatility in the price of the Company's shares (%)	**37.05**
Weighted average fair value per option ($)	**11.00**
Exercise price ($)	**28.65**
Option life (years)	**7**

The expected volatility was based on the historical volatility of the Company's shares over a period commensurate with the expected term of the share option. The risk-free interest rate for the expected life of the options was based on the yield available on government bonds, with an approximate equivalent remaining term at the time of the grant. Historical data was used to estimate the expected life of the option.

A summary of the status of the Company's non-vested options as of December 31, 2011, and of changes in the year, are as follows:

	Number of Shares Subject to Option #	Weighted Average Grant Date Fair Value $
Non-vested share options, beginning of the year	**145,934**	**9.82**
Granted	**410,000**	**11.00**
Vested	**(144,266)**	**9.82**
Forfeited	**(26,668)**	**10.92**
Non-vested share options, end of the year	**385,000**	**11.00**

As at December 31, 2011, 385,000 (December 31, 2010 – 145,934) options remained unvested, and a total unrecognized compensation cost of $1,868,000 (December 31, 2010 – $303,000) related to the Company's share option plans. This cost is expected to be recognized over a weighted average period of 1.08 years (December 31, 2010 – 0.63 years).

Deferred share units

Under the Company's deferred share unit plan, the chief executive officer (CEO) and directors of the board of the Company may receive deferred share units equal to one common share. These units vest on their grant date. They are paid out to the CEO and directors of the board of the Company upon their death or retirement, or in the case of the CEO, on termination, in the form of cash and are valued at the weighted-by-volume average of the closing market price of the Company's common shares for the last 10 trading days of the month of death, retirement, or termination. Deferred share units cannot be paid in the form of Company shares. These units are recorded at fair value using the Black-Scholes option-pricing model. As at December 31, 2011, 136,768 units were outstanding at the carrying amount of $3,712,000 (December 31, 2010 – 118,005 units at the carrying amount of $3,294,000; January 1, 2010 – 78,472 units at the carrying amount of $2,361,000). As at December 31, 2011, the total intrinsic value of deferred share units was equal to the carrying amount.

Restricted share units

Under the Company's restricted share unit plan, senior vice presidents may receive restricted share units equal to one common share. The senior vice presidents are granted annually an allotment of these units, which, after two years, they receive a cash equivalent to the weighted-by-volume average of the closing price of the Company's common shares for the last 10 trading dates prior to the unit's release date. The restricted share units vest on their grant date since the senior vice presidents are not required to complete a specified period of service. The units are recorded at fair value using the Black-Scholes option-pricing model. As at December 31, 2011, 33,311 units were outstanding at the carrying amount of $904,000. As at December 31, 2011, the total intrinsic value of the restricted share units was equal to the carrying amount.

26. Financial Instruments

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that

are not active, or other inputs that are observable directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

In forming estimates, the Company uses the most observable inputs available for valuation purposes. If a fair value measurement reflects inputs of different levels within the hierarchy, the financial instrument is categorized based on the lowest level of significant input.

At December 31, 2011, and December 31, 2010, investments held for self-insured liabilities were the only assets measured at fair value on a recurring basis. The carrying amount of these assets was $55,009,000 (December 31, 2010 – $46,578,000; January 1, 2010 – $38,418,000), and their fair value hierarchy was level 1.

The following table summarizes the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of January 1, 2010.

(In thousands of Canadian dollars)	**Carrying Amount of Asset/Liability at January 1, 2010** **$**	**Quoted Prices in Active Markets for Identical Items (Level 1)** **$**	**Significant Other Observable Inputs (Level 2)** **$**	**Significant Unobservable Inputs (Level 3)** **$**
Assets				
Investments held for self-insured liabilities	38,418	38,418	-	-
Liabilities				
Foreign currency forward contracts	270	-	270	-
Interest rate swap	2,157	-	2,157	-
	2,427	-	2,427	-

Investments held for self-insured liabilities are measured based on active market prices for identical bonds and equity securities. Forward contracts are determined based on the estimated cash payment or receipt necessary to settle the contract. Cash payments or receipts are based on discounted cash flow analysis using current market rates and prices. The valuation of the interest rate swap is based on similar transactions observable in active markets or industry standard models that primarily rely on market observable inputs.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. Financial instruments that subject the Company to credit risk consist primarily of cash and short-term deposits, investments held for self-insured liabilities, investments, holdbacks on long-term contracts, future sublease revenue, and trade and other receivables. The Company's maximum amount of credit risk exposure is limited to the carrying amount of these financial instruments, which is $420,147,000 as at December 31, 2011 (December 31, 2010 – $422,273,000; January 1, 2010 – $317,552,000).

The Company limits its exposure to credit risk by placing its cash and short-term deposits in and entering into derivative agreements with high-quality credit institutions. Investments held for self-insured liabilities include bonds and equities. The risk associated with bonds and equities is mitigated by the overall quality and mix of the Company's investment portfolio.

The Company mitigates the risk associated with trade receivables and holdbacks on long-term contracts by providing services to diverse clients in various industries and sectors of the economy. The Company does not concentrate its credit risk in any particular client, industry, economic, or geographic sector. In addition,

management reviews trade receivables past due on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds at an early stage. The Company monitors trade receivables to an internal target of days of revenue in trade receivables (a non-IFRS measure). At December 31, 2011, there were 64 days (December 31, 2010 – 63 days; January 1, 2010 – 59 days) of revenue in trade receivables.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet obligations associated with its financial liabilities as they fall due. The Company meets its liquidity needs through a variety of sources, including cash generated from operations, long- and short-term borrowings from its $350 million credit facility and senior secured notes, and the issuance of common shares. The unused capacity of the credit facility at December 31, 2011, was $259,532,000 (December 31, 2010 – $123,294,000; January 1, 2010 – $163,377,000). The Company believes that internally generated cash flows, supplemented by borrowings and additional equity issues, if necessary, will be sufficient to cover its normal operating and capital expenditures as well as currently anticipated acquisition activity in 2012. Liquidity risk is managed according to the Company's internal guideline of maintaining a net debt to equity ratio of less than 0.5 to 1 (note 27).

The timing of undiscounted cash outflows relating to financial liabilities is outlined in the table below:

(In thousands of Canadian dollars)	**Total $**	**Less than 1 Year $**	**1-3 Years $**	**After 3 Years $**
January 1, 2010				
Trade and other payables	159,393	159,393	-	-
Long-term debt	235,015	35,475	198,607	933
Interest rate swap	2,157	2,157	-	-
Foreign currency forward contract	270	270	-	-
Other financial liabilities	11,686	4,287	6,896	503
Total contractual obligations	408,521	201,582	205,503	1,436
December 31, 2010				
Trade and other payables	186,287	186,287	-	-
Long-term debt	322,787	46,409	275,190	1,188
Other financial liabilities	15,263	10,326	3,107	1,830
Total contractual obligations	524,337	243,022	278,297	3,018
December 31, 2011				
Trade and other payables	**191,859**	**191,859**	**-**	**-**
Long-term debt	**298,848**	**59,979**	**112,931**	**125,938**
Other financial liabilities	**7,188**	**5,042**	**595**	**1,551**
Total contractual obligations	**497,895**	**256,880**	**113,526**	**127,489**

In addition to the financial liabilities listed in the table above, the Company will pay interest on the bank loan and senior secured notes outstanding in future periods. Further information on long-term debt is included in note 18.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market rates of interest. The Company is subject to interest rate cash flow risk to the extent that its revolving credit facility is based on floating rates of interest. In addition, the Company is subject to interest rate pricing risk to the extent that its investments held for self-insured liabilities include fixed-rate government and corporate bonds.

If the interest rate on the Company's revolving credit facility balance at December 31, 2011, had been 0.5% higher, with all other variables held constant, net income would have decreased by approximately $307,000. If the interest rate had been 0.5% lower, there would have been an equal and opposite impact on net income.

The Company has the flexibility to partially mitigate its exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt. The Company's senior secured notes have fixed interest rates; therefore, interest rate fluctuations would have no impact on the senior secured notes interest payments.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange gains or losses in the Company's net income arise on the translation of foreign-denominated assets and liabilities (such as trade and other receivables, trade and other payables, and long-term debt) held in the Company's Canadian operations and non-US-based foreign subsidiaries. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching US-dollar assets with US-dollar liabilities and, when appropriate, by entering into forward contracts to buy or sell US dollars in exchange for Canadian dollars.

If the exchange rates had been $0.01 higher or lower at December 31, 2011, with all other variables held constant, net income would have increased or decreased by approximately $37,000.

Foreign exchange fluctuations may also arise on the translation of the Company's US-based subsidiaries, or other foreign subsidiaries, where the functional currency is different from the Canadian dollar, and are recorded in other comprehensive income. The Company does not hedge for this foreign exchange risk.

27. Capital Management

The Company's objective when managing capital is to provide sufficient capacity to cover normal operating and capital expenditures, as well as acquisition growth, while maintaining an adequate return for shareholders. The Company defines its capital as the aggregate of long-term debt (including the current portion) and shareholders' equity.

The Company manages its capital structure to maintain the flexibility to adjust to changes in economic conditions and acquisition growth and to respond to interest rate, foreign exchange, credit, and other risks. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, or raise or retire debt.

The Company periodically monitors capital by maintaining the following ratio targets:

- Net debt to equity ratio below 0.5 to 1
- Return on equity (ROE) at or above 14%

These objectives are established on an annual basis and are monitored on a quarterly basis. The targets for 2011 remained unchanged from those for 2010.

Net debt to equity ratio, a non-IFRS measure, is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash and short-term deposits, divided by (2) shareholders' equity. The Company's net debt to equity ratio was 0.41 to 1 at December 31, 2011 (December 31, 2010 – 0.42 to 1; January 1, 2010 – 0.41 to 1). Going forward, there may be occasions when the Company exceeds its target by completing acquisitions that increase its debt level above the target for a period of time.

ROE, a non-IFRS measure, is calculated as net income for the last four quarters, divided by average shareholders' equity over each of these quarters. The Company's ROE was 1.9% for the year ended December 31, 2011 (December 31, 2010 – 16.5%). The Company's ROE was below target because of the $90.0 million goodwill impairment charge recorded in the fourth quarter of 2011.

The Company is subject to restrictive covenants related to its $350 million revolving credit facility and its senior secured notes that are measured on a quarterly basis. These covenants include, but are not limited to, consolidated debt to EBITDA and EBITDAR to consolidated debt service ratio (non-IFRS measures). EBITDA is calculated as earnings before interest expense, income taxes, depreciation of property and equipment, amortization of intangible assets, and goodwill and intangible impairments. EBITDAR is calculated as EBITDA plus building rental obligations net of common area costs, taxes, charges, and levies. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of the debt obligation. The Company was in compliance with all the covenants under these agreements as at and throughout the year ended December 31, 2011.

28. Accumulated Other Comprehensive Income (Loss)

(In thousands of Canadian dollars)	**Exchange Differences on Translation of Foreign Operations $**	**Unrealized Gains/Losses on Financial Assets $**	**Total $**
Balance, January 1, 2010	-	323	323
Gains (losses) arising during the year	(9,823)	1,653	(8,170)
Reclassification adjustments for gains transferred to income	(8,792)	(91)	(8,883)
Current-year activity before tax	(18,615)	1,562	(17,053)
Tax effect	-	(27)	(27)
Balance, December 31, 2010	(18,615)	1,858	(16,757)
Gains (losses) arising during the year	**5,761**	**(1,441)**	**4,320**
Reclassification adjustments for gains transferred to income	**-**	**(38)**	**(38)**
Current-year activity before tax	**5,761**	**(1,479)**	**4,282**
Tax effect	**-**	**26**	**26**
Balance, December 31, 2011	**(12,854)**	**405**	**(12,449)**

The exchange difference on the translation of foreign operations represents the unrealized gain or loss on the Company's net investment in US-based operations or other foreign operations where the functional currency is different from the Canadian dollar. The change in the translation of foreign operations during the year relates to the fluctuation in the value of the Canadian dollar relative to these other functional currencies. Statement of financial position accounts denominated in US dollars have been translated to Canadian dollars at the rate of 1.0170 (December 31, 2010 – 0.9946).

The unrealized gains (losses) on financial assets represent the change in the fair value of investments held for self-insured liabilities (note 15).

29. Income Taxes

The effective income tax rate in the consolidated statements of income differs from statutory Canadian tax rates as a result of the following:

	2011 **%**	2010 %
Income tax expense at statutory Canadian rates	**27.4**	29.2
Increase (decrease) resulting from:		
Impairment of goodwill	**48.0**	-
Income from associated companies	**(0.1)**	(0.3)
Rate differential on foreign income	**(0.7)**	(0.9)
Taxable capital gains	**0.1**	3.8
Non-deductible expenses:		
Meals and entertainment	**0.7**	0.9
Share-based compensation	**0.3**	0.3
Non-taxable foreign income net of non-creditable withholding taxes	**(1.5)**	(2.8)
Other	**0.3**	(0.5)
	74.5	29.7

The major components of deferred income tax expense (recovery) are as follows:

	For the year ended December 31	
(In thousands of Canadian dollars)	**2011** **$**	2010 $
Origination and reversal of timing differences	**3,641**	(1,937)
Write-down of loss carryforwards	**1,331**	-
Change of tax rates	**(691)**	(460)
Total deferred income tax expense (recovery)	**4,281**	(2,397)

Significant components of the Company's deferred income tax assets and liabilities are as follows:

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Deferred income tax assets			
Differences in timing of deductibility of expenses	**30,665**	21,778	25,040
Loss carryforwards	**7,928**	9,486	13,680
Tax cost of property and equipment in excess of carrying value	**2,053**	2,444	1,377
Deferred gain on sale of building	**438**	585	747
Other	**2,563**	6,619	2,619
	43,647	40,912	43,463

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Deferred income tax liabilities			
Cash to accrual adjustments on acquisitions of US subsidiaries	**3,424**	5,997	2,266
Differences in timing of taxability of revenues	**12,132**	7,766	9,317
Carrying value of property and equipment in excess of tax cost	**5,320**	6,162	7,080
Carrying value of intangible assets in excess of tax cost	**26,589**	23,451	21,808
Other	**7,099**	4,404	6,706
	54,564	47,780	47,177

The following is a reconciliation of net deferred tax assets (liabilities):

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $
Balance, beginning of the year	**(6,868)**	(3,714)
Tax recovery (expense) during the year recognized in net income	**(4,281)**	2,397
Tax recovery (expense) during the year recognized in other comprehensive income	**26**	(27)
Deferred taxes acquired through business combinations	**(238)**	(5,071)
Impact of foreign exchange	**16**	(207)
Other	**428**	(246)
Balance, end of the year	**(10,917)**	(6,868)

At December 31, 2011, except as noted below, all loss carryforwards available to reduce the taxable income of Canadian, US, and foreign subsidiaries were recognized in the consolidated financial statements. The Company has unrecognized federal loss carryforwards of approximately $900,000 (US$885,000) that are available to reduce the taxable income of certain US subsidiaries and that expire at varying times over the next 20 years. The Company also has unrecognized loss carryforwards of approximately $5,006,000 that are available to reduce the taxable income of certain other foreign subsidiaries that have no expiry date.

30. Net Interest Expense and Other Net Finance Expense (Income)

Net interest expense

	For the year ended December 31	
(In thousands of Canadian dollars)	**2011 $**	2010 $
Interest on other notes payable	**2,479**	3,561
Interest on bank loan	**4,795**	5,438
Interest on senior secured notes	**3,590**	-
Interest on finance leases	**235**	457
Other	**577**	654
Total interest expense	**11,676**	10,110
Interest income on available-for-sale investment debt securities	**(1,468)**	(1,371)
Other	**(485)**	(877)
Total interest income	**(1,953)**	(2,248)
Net interest expense	**9,723**	7,862

Other net finance expense (income)

(In thousands of Canadian dollars)	For the year ended December 31 **2011 $**	2010 $
Amortization on available-for-sale investment debt securities	**302**	248
Bank charges	**2,546**	1,773
Total other finance expense	**2,848**	2,021
Realized gain on sale of available-for-sale investment debt securities	**-**	(83)
Fair value gain on interest rate swap	**-**	(2,157)
Total other finance income	**-**	(2,240)
Other net finance expense (income)	**2,848**	(219)

31. Employee Costs

(In thousands of Canadian dollars)	For the year ended December 31 **2011 $**	2010 $
Wages, salaries, and benefits	**893,955**	780,767
Pension costs	**24,419**	21,982
Share-based compensation	**5,575**	2,822
Total employee costs	**923,949**	805,571
Direct labor	**615,136**	537,704
Indirect labor	**308,813**	267,867
Total employee costs	**923,949**	805,571

Direct labor costs include the salaries, wages, and related fringe benefits for labor hours that are directly associated with the completion of projects. Bonuses, share-based compensation, and labor costs and related fringe benefits for labor hours that are not directly associated with the completion of projects are included in indirect employee costs. Indirect employee costs are included in administrative and marketing expenses in the consolidated statements of income.

32. Earnings Per Share

The number of basic and diluted common shares outstanding, as calculated on a weighted average basis, is as follows:

	December 31 2011 #	December 31 2010 #
Basic shares outstanding	**45,638,311**	45,690,555
Share options (dilutive effect of 403,300 options; 2010 – 624,165)	**36,726**	200,436
Diluted shares outstanding	**45,675,037**	45,890,991

At December 31, 2011, 1,175,000 (December 31, 2010 – 856,666) options were antidilutive and, therefore, were not considered in computing diluted earnings per share.

33. Cash Flows From (Used in) Operating Activities

Cash flows from (used in) operating activities determined by the indirect method are as follows:

	For the year ended December 31	
(In thousands of Canadian dollars)	**2011 $**	2010 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net income for the year	**12,662**	94,741
Add (deduct) items not affecting cash:		
Depreciation of property and equipment	**27,933**	25,461
Impairment of goodwill	**90,000**	-
Amortization of intangible assets	**18,395**	17,289
Deferred income tax	**4,281**	(2,397)
Loss on dispositions of investments and property and equipment	**1,298**	586
Share-based compensation expense	**5,575**	2,822
Provision for self-insured liability and claims	**11,463**	10,962
Other non-cash items	**(9,155)**	(5,908)
Share of income from equity investments	**(793)**	(2,209)
Gain on sale of equity investments	**-**	(7,183)
	161,659	134,164
Trade and other receivables	**11,917**	11,647
Unbilled revenue	**(26,685)**	(1,250)
Prepaid expenses	**(2,166)**	4,055
Trade and other payables	**(15,936)**	(22,975)
Billings in excess of costs	**(7,247)**	(13,158)
Income taxes payable	**(6,956)**	(551)
	(47,073)	(22,232)
Cash flows from operating activities	**114,586**	111,932

34. Related-Party Disclosures

Subsidiaries

As at December 31, 2011, the Company has subsidiaries where it owns 100% of the voting and restricted securities. These subsidiaries are consolidated in the Company's consolidated financial statements.

Name	Jurisdiction of Incorporation
58053 Newfoundland & Labrador Inc.	Newfoundland and Labrador, Canada
59991 Newfoundland & Labrador Ltd.	Newfoundland and Labrador, Canada
3221969 Nova Scotia Company	Nova Scotia, Canada
AXYS Environmental Consulting (Barbados) Inc.	Barbados
Bonestroo Services, LLC	Minnesota, United States
BVE Development, LLC	Pennsylvania, United States
International Insurance Group Inc.	Barbados
I.R. Wilson Consultants Ltd.	British Columbia, Canada
Jacques Whitford Consultants BV	Netherlands
Jacques Whitford Holdco Ltd.	Cayman Islands
Nu Nennè-Stantec Inc.	Alberta, Canada
RiverMorph, LLC	Kentucky, United States
SEA, Incorporated	Nevada, United States
Stantec Consulting Caribbean Ltd.	Barbados
Stantec Consulting Cayman Islands Ltd.	Cayman Islands
Stantec Consulting Colombia S.A.S.	Colombia
Stantec Consulting Guatemala, S.A.	Guatemala
Stantec Consulting International LLC	Arizona, United States
Stantec Consulting International Ltd.	Canada
Stantec Consulting Labrador Ltd.	Newfoundland and Labrador, Canada
Stantec Consulting Ltd.	Canada
Stantec Consulting Michigan Inc.	Michigan, United States
Stantec Consulting Panama, S.A.	Panama
Stantec Consulting Services Inc.	New York, United States
Stantec Delaware II LLC	Delaware, United States
Stantec Experts-conseils ltée	Canada
Stantec Holdings (Delaware) III Inc.	Delaware, United States
Stantec Holdings Ltd.	Alberta, Canada
Stantec Holdings II Ltd.	Alberta, Canada
Stantec Newfoundland & Labrador Ltd.	Newfoundland and Labrador, Canada
Stantec Technology International Inc.	Delaware, United States
UEI Associates, Inc.	Texas, United States
UEI Global I, Inc.	Texas, United States
Universal Energy do Brasil Ltda.	Brazil
WilsonMiller, Inc.	Florida, United States
WM Aviation, LLC	Delaware, United States

Special purpose entities

As at December 31, 2011, the Company has management agreements in place with several entities to provide various services, including architecture, engineering, planning, and project management. The management agreement provides the Company with control over the management and operation of these entities. The Company also receives a management fee generally equal to the net income of the entities and has an obligation regarding the liabilities and losses of the entities. Based on these facts and circumstances, management has concluded that the Company controls these entities and, therefore, consolidates these entities in its consolidated financial statements.

Name	Jurisdiction of Incorporation
Anshen & Allen Associates Limited	England and Wales
Burt Hill Architects and Engineers, P.C.	New Jersey, United States
Burt Hill International, LLC	Pennsylvania, United States
Burt, Hill Design Private Limited	India
Granary Associates Architects, P.C.	Pennsylvania, United States
Stantec Architecture and Engineering LLC	Pennsylvania, United States
Stantec Architecture and Engineering P.C.	Massachusetts, United States
Stantec Architecture Inc.	North Carolina, United States
Stantec Architecture Ltd.	Canada
Stantec Connecticut Inc.	Connecticut, United States
Stantec Engineering (Puerto Rico) P.S.C.	Puerto Rico
Stantec Geomatics Ltd.	Alberta, Canada
Stantec International Enterprises Limited	Bahamas
Stantec International Inc.	Pennsylvania, United States
Stantec International Limited	Barbados
Stantec Planning and Landscape Architecture P.C.	Maine, United States
Stantec Planning and Landscape Architecture P.C.	New York, United States

Associated companies and joint ventures

The Company enters into transactions through its investments in associates and joint ventures. These transactions involve providing or receiving services and are entered into in the normal course of business and on an arm's-length basis. Refer to notes 13 and 14 for a listing of the joint ventures in which the Company is a venturer and for a listing of the Company's investments in associates.

The following table provides the total amount of transactions (before intercompany eliminations) that have been entered into with related parties for the year ended December 31, 2011:

(In thousands of Canadian dollars)	**Sales to Related Parties $**	**Distributions Paid $**	**Amounts Owed by Related Parties $**
Joint ventures	**15,099**	**227**	**4,978**
Associates	**8,004**	**1,198**	**2,413**

The following table provides the total amount of transactions (before intercompany eliminations) that have been entered into with related parties for the year ended December 31, 2010:

(In thousands of Canadian dollars)	Sales to Related Parties $	Distributions Paid $	Amounts Owed by Related Parties $
Joint ventures	14,231	-	3,122
Associates	8,942	2,789	2,310

Compensation of key management personnel of the Company

The Company's key management personnel include its CEO, chief financial officer, chief operating officer, and senior vice presidents. The following table outlines their compensation:

	For the year ended December 31	
	2011	2010
(In thousands of Canadian dollars)	**$**	$
Salaries and other short-term employment benefits	**8,027**	8,792
Directors' fees	**248**	264
Share-based compensation	**3,079**	1,196
Total compensation	**11,354**	10,252

The amounts disclosed in the table are the amounts recognized as an expense related to key management personnel and directors during the reporting year. Share-based compensation includes the fair value adjustment for the year.

Directors' interests in share-based payments

Share options held by directors of the Company to purchase ordinary shares have the following expiry dates and exercise prices:

			December 31 2011	December 31 2010
		Exercise Price		
Issue Date	**Expiry Date**	**$**	**# Outstanding**	# Outstanding
January 3, 2003	January 3, 2012	10.80	-	30,000
January 3, 2003	January 3, 2013	12.17	60,000	60,000
January 3, 2003	January 3, 2013	13.55	60,000	60,000
December 14, 2004	December 14, 2011	12.25	-	8,000
August 18, 2006	August 18, 2013	20.37	10,000	10,000
August 17, 2007	August 17, 2014	30.61	10,000	10,000
August 18, 2008	August 18, 2015	29.40	7,500	7,500
Total share options outstanding			147,500	185,500

35. Segmented Information

The Company provides comprehensive professional services in the area of infrastructure and facilities throughout North America and internationally. It considers the basis on which it is organized, including geographic areas and service offerings, in identifying its reportable segments. Operating segments of the Company are defined as components of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker is the CEO of the Company, and the Company's operating segments are based on its regional geographic areas.

In 2010, the Company had four operating segments: Canada East, Canada West, US East, and US West. With its growth internationally in 2010 and resulting reorganization, the Company redefined its operating segments as

Canada, the United States, and International, effective January 1, 2011. The Company's operating segments are aggregated into the Consulting Services reportable segment.

Geographic information	**Non-Current Assets**	
	December 31 2011	December 31 2010
(In thousands of Canadian dollars)	**$**	$
Canada	**350,551**	313,894
United States	**335,213**	419,896
International	**3,164**	307
	688,928	734,097

Non-current assets for this purpose consist of property and equipment, goodwill, and intangible assets.

Geographic information	**Gross Revenue**	
	For the year ended December 31	
	2011	2010
(In thousands of Canadian dollars)	**$**	$
Canada	**945,261**	901,859
United States	**679,296**	581,813
International	**58,846**	29,390
	1,683,403	1,513,062

Gross revenue is attributed to countries based on the location of the project.

Practice area unit information	**Gross Revenue**	
	For the year ended December 31	
	2011	2010
(In thousands of Canadian dollars)	**$**	$
Buildings	**414,716**	326,111
Environment	**604,788**	601,845
Industrial	**287,215**	241,312
Transportation	**197,834**	187,660
Urban Land	**178,850**	156,134
	1,683,403	1,513,062

Customers

The Company has a large number of clients in various industries and sectors of the economy. Gross revenue is not concentrated in any particular client.

36. Amounts Due From Customers

The net amount due from customers, excluding trade receivables, for contracts in progress at each consolidated statement of financial position date, is as follows:

(In thousands of Canadian dollars)	**December 31 2011 $**	December 31 2010 $	January 1 2010 $
Gross amount due from customers (unbilled revenue)	**133,881**	104,696	95,794
Gross amount due to customers (billings in excess of costs)	**(49,441)**	(56,741)	(52,007)
Net amount due from customers	**84,440**	47,955	43,787

As at December 31, 2011, the current portion of holdbacks held by customers included in trade and other receivables was $2,797,000 (December 31, 2010 – $2,184,000; January 1, 2010 – $2,829,000).

37. Investment Tax Credits

Investment tax credits, arising from qualifying scientific research and experimental development efforts pursuant to existing tax legislation, are recorded as a reduction of the applicable administrative and marketing expenses when there is reasonable assurance of their ultimate realization. In 2011, investment tax credits of $408,000 (2010 – $1,161,000) were recorded and reduced administrative and marketing expenses.

38. Transition to IFRS

For all periods up to and including the year ended December 31, 2010, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles (GAAP). These consolidated financial statements for the year ended December 31, 2011, are prepared in accordance with IFRS.

Accordingly, the Company has prepared financial statements that comply with IFRS applicable for periods beginning on or after January 1, 2011, as described in the accounting policies (note 4). The Company prepared its opening statement of financial position as at January 1, 2010, its date of transition to IFRS. This note explains the principal adjustments the Company made in restating its Canadian GAAP statement of financial position as at January 1, 2010, and its previously published Canadian GAAP financial statements for the year ended December 31, 2010.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain IFRS.

The Company has applied the following exemptions:

- **Business Combinations.** IFRS 3, “Business Combinations” (IFRS 3), has not been applied retrospectively to past business combinations. Accordingly, the Company did not restate business combinations that took place prior to January 1, 2010. Any goodwill arising on business combinations before the transition date was not adjusted from the carrying amount previously determined under Canadian GAAP as a result of applying this exemption, except as required under IFRS 1.
- **Fair value or revaluation as deemed cost.** The Company elected to measure buildings, classified as property and equipment and investment property, at their fair values and used those amounts as their deemed costs at January 1, 2010. The costs of buildings were determined by reference to their fair values at January 1, 2010, by professional valuators on an existing-use basis.

- **Cumulative currency translation adjustment.** The Company elected to deem the cumulative currency translation difference for all foreign operations to be zero at January 1, 2010.
- **Share-based payments.** IFRS 2, "Share-Based Payments" (IFRS 2), has not been applied to equity instruments in share-based payment transactions that were granted on or before November 7, 2002, or after November 7, 2002, that vested before January 1, 2010. For cash-settled share-based payment transactions, called deferred share units, the Company has not applied IFRS 2 to liabilities that were settled before January 1, 2010.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires that equity, income, comprehensive income, and cash flows be reconciled for the comparative periods presented. The Company's first-time adoption of IFRS did not have a material impact on its total operating, investing, or financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity, income, and comprehensive income, with adjustments presented on an after-tax basis.

Reconciliation of equity:

(In thousands of Canadian dollars)	Notes	December 31 2010 $	January 1 2010 $
Equity, Canadian GAAP		625,475	547,394
IFRS adjustments:			
Contingent consideration outstanding from past business combinations	14	(6,573)	(5,969)
Intangible asset impairment and amortization	15	(1,033)	(2,370)
Sublease revenue	11	(355)	(1,725)
Restructuring and acquisition-related costs	10,19	(1,737)	-
Other	9,12,16,17	(89)	734
		(9,787)	(9,330)
Equity, IFRS		**615,688**	**538,064**

Reconciliation of income:

(In thousands of Canadian dollars)	Notes	For the year ended December 31 2010 $
Net income for the year, Canadian GAAP		93,595
IFRS adjustments:		
Sublease revenue	11	1,370
Unrealized gain on interest rate swap	12	1,531
Intangible asset impairment and amortization	15	1,337
Restructuring and acquisition-related costs	10,19	(1,913)
Other	9,14,16,17,18	(1,179)
		1,146
Net income for the year, IFRS		**94,741**

Reconciliation of comprehensive income:

(In thousands of Canadian dollars)	Notes	For the year ended December 31 2010 $
Comprehensive income for the year, Canadian GAAP		78,035
IFRS adjustments:		
Net income adjustments	9-19	1,146
Reclassification of unrealized gain on interest rate swap	12	(1,531)
Reclassification of foreign exchange on bonds	16	(355)
Net impact of IFRS adjustments on the exchange on translation of foreign operations	13	366
		(374)
Comprehensive income for the year, IFRS		**77,661**

Changes in Accounting Policies

The following notes describe the differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company that resulted in adjustments to its December 31, 2010, and January 1, 2010, consolidated financial statements.

Reclassification adjustments:

1) Classification of deferred taxes. Per IAS 12, “Income Taxes,” deferred tax balances are classified as non-current. Under Canadian GAAP, deferred tax balances are classified as current or non-current based on the nature of the underlying related asset or liability.

2) Investment property. Per IAS 40, “Investment Property,” land or buildings (or parts thereof), held to earn rental income or for capital appreciation instead of for own use, are classified as investment property. Under Canadian GAAP, these items are classified as property and equipment.

3) Provisions. Per IAS 37, “Provisions, Contingent Liabilities and Contingent Assets” (IAS 37), provisions are defined as liabilities of uncertain timing or amount. Per IAS 1, “Presentation of Financial Statements” (IAS 1), provisions are to be disclosed as a line item on the consolidated statements of financial position. As a result, the Company reclassified its provision for self-insured liabilities, liabilities on lease exit activities, onerous sublease contracts, and provisions for claims from other liabilities and from trade and other payables to provisions.

4) Non-controlling interest (NCI). IFRS 3 requires NCI to be recorded in equity on the consolidated statements of financial position, whereas Canadian GAAP requires NCI to be recorded between liabilities and equity.

5) Sublease revenue—offsetting. Per IAS 17, “Leases,” and IAS 37, when the Company ceases to use an office space under an operating lease arrangement or sublets part of an office space at a loss compared to its original operating lease arrangement, it records a liability for the present value of future lease payments, as well as an asset for the present value of the future rental income that is virtually certain. Under IFRS, the liability is recorded separately from the asset in these cases. Under Canadian GAAP, netting the asset against the liability was permitted.

6) Financial assets and liabilities. Per IAS 1, financial assets and financial liabilities are to be disclosed as line items on the consolidated statements of financial position. As a result, the Company reclassified derivative financial instruments and interest on long-term debt from other liabilities to other financial liabilities. The Company also reclassified investments held for self-insured liabilities, investments, and holdbacks on long-term contracts from other assets to other financial assets.

7) Investments accounted for using the equity method. Per IAS 1, investments accounted for using the equity method must be presented as a separate line on the consolidated statements of financial position. As a result, the Company reclassified investments in associated companies from other assets to investments in associates.

8) Contingent liabilities. Because the Company elected not to apply IFRS 3 retrospectively to business combinations prior to January 1, 2010, IFRS requires the Company to recognize any contingent liabilities assumed from past acquisitions that were not recognized in Canadian GAAP but would require recognition under IFRS unless IAS 37 prohibits their recognition in the statement of the acquiree. Also, if a seller contractually indemnified the acquirer for the outcome of a contingent liability, the acquirer would recognize an indemnification asset at the same time that it recognized the contingent liability. As a result, the Company's provisions and other financial assets have increased.

Adjustments impacting net income and retained earnings:

9) Fair value of property and equipment and investment property. The Company elected to measure buildings, classified as property and equipment and investment property, at fair value at January 1, 2010, and used that amount as deemed cost as at January 1, 2010. The aggregate fair value of buildings at January 1, 2010 was $9,845,000 compared to a carrying amount of $9,390,000. As a result, on transition, the Company's property and equipment and investment property increased by $455,000, and retained earnings increased by $370,000 (net of tax) for the difference between the fair value and net book value of these properties.

IFRS requires component accounting for significant parts of an item of property and equipment with a cost that is significant in relation to the total cost of the item. Component accounting is required if the useful life and/or depreciation method for the component is different from the remainder of the asset. Based on the componentization analysis, the Company's buildings were componentized. Depreciation for 2010 and 2011 was based on buildings balances stated at fair value on January 1, 2010, and broken into components.

10) Postacquisition exit/restructuring costs. Because the Company elected not to apply IFRS 3 retrospectively to business combinations prior to January 1, 2010, IFRS requires the Company to exclude from its opening IFRS consolidated statements of financial position any item recognized in accordance with Canadian GAAP that does not qualify for recognition as an asset or liability under IFRS. Per IFRS 3, any postacquisition exit/restructuring plans of an acquiring company are expensed in the consolidated statements of income as incurred. Under Canadian GAAP, many of these costs are recognized as liabilities in the purchase price allocation and impact goodwill at the time of acquisition. Therefore, the Company was required to derecognize any postacquisition exit/restructuring liabilities existing at January 1, 2010, decreasing its accrual for exit/restructuring activities by $250,000 and increasing retained earnings by $177,000 (net of tax). During 2010, administrative and marketing expenses increased since these costs were expensed when incurred, along with the exit/restructuring costs from new acquisitions in 2010.

11) Sublease revenue recognition. Per IAS 37, an inflow of resources is recognized in the consolidated statements of financial position when it is virtually certain. Under Canadian GAAP, the Company established lease exit liabilities when it ceased to use office space under an operating lease arrangement. Included in the liability was the present value of the remaining lease payments offset by an estimate of future sublease revenue. Therefore, the Company derecognized $2,551,000 in estimated future sublease revenue at January 1, 2010, since it was not virtually certain at that date. As a result, on transition, the Company's provision for lease exit liabilities increased by $2,551,000, and its retained earnings decreased by $1,725,000 (net of tax).

During 2010, administrative and marketing expenses decreased to recognize sublease revenues that became virtually certain.

12) Hedge accounting. As at December 31, 2009, the Company used the “shortcut” method to prove the effectiveness of its interest rate hedge as permitted by Canadian GAAP. Per IAS 39, the Company is not permitted to use the shortcut method to assess hedge effectiveness. As a result, the Company discontinued hedge accounting (for IFRS accounting purposes only) on January 1, 2010, and removed the $1,531,000 loss (net of tax) in accumulated other comprehensive income and decreased retained earnings, accordingly.

The interest rate swap expired in September 2010. As its fair value approached zero, the Company reclassified the resulting unrealized gain, decreasing other comprehensive income and increasing finance income.

13) Foreign currency translation. On transition to IFRS, the Company elected to deem the cumulative translation difference for all foreign operations to be zero at January 1, 2010. As a result, the Company’s accumulated other comprehensive income increased and retained earnings decreased by $50,837,000.

Due to the adjustments made to the consolidated statements of financial position to restate Canadian GAAP to IFRS, the balances used to calculate the exchange on translation of foreign operations are different under IFRS. Because of this difference, other comprehensive income increased.

14) Contingent consideration. Despite the Company having elected not to apply IFRS 3 retrospectively to business combinations prior to January 1, 2010, IFRS generally requires the Company to recognize any assets acquired or liabilities assumed in past business combinations that would require recognition by an acquirer under IFRS but not under Canadian GAAP. IFRS 3 records contingent consideration at the date of acquisition, based on the fair value at that date, as a liability or equity depending on its nature. The remeasurement of the liability at fair value each quarter-end impacts earnings until the liability is settled. Under Canadian GAAP, a liability for contingent consideration is only recognized at the date of acquisition when the amount is determinable; therefore, contingent consideration is generally recognized when the contingency is resolved and the consideration becomes payable. As a result, the Company fair valued contingent consideration outstanding from past business combinations at January 1, 2010, using an income approach, which increased other financial liabilities by $5,854,000 and decreased retained earnings by $5,969,000.

Contingent consideration was recorded at a discounted amount due to its long-term nature. In 2010, net interest expense increased to record the unwinding of the discount on contingent consideration. In addition, in 2010, due to a change in the probability of meeting a performance target, the Company accrued additional contingent consideration of $476,000 as an increase to other financial liabilities and a decrease to other (income) expense.

15) Impairment of assets. Under IAS 36, “Impairment of Assets” (IAS 36), the impairment test for definite-lived intangible assets and long-lived assets is only one step. If the carrying amount exceeds the recoverable amount (on a discounted basis), the asset value is written down to the recoverable amount. Under Canadian GAAP, this test is a two-step process. In the first step, the carrying amount of an asset is compared to the expected undiscounted cash flows for the asset. If the carrying amount is more than the undiscounted cash flows, the fair value of the asset is determined. An impairment loss is recorded if the carrying amount is more than the fair value.

Per IFRS 1, in preparing the opening IFRS consolidated statement of financial position, the Company is required to perform an impairment test, in accordance with IAS 36, on goodwill and intangible assets at January 1, 2010. The impairment tests concluded that goodwill was not impaired but that intangible assets relating to certain client relationships and favorable lease agreements were impaired by $3,824,000. The intangible impairments primarily reflected the financial distress experienced by specific clients in relation to past acquisitions and a reduction in the value of favorable leases in the Manhattan, New York, area. Therefore, on transition, the Company’s intangible assets decreased by $3,824,000, and retained earnings decreased by $2,370,000 (net of tax).

As a result of the intangible asset impairment recorded on January 1, 2010, intangible asset amortization decreased in 2010. In addition, the Company added back the $1,772,000 impairment of client relationships and favorable lease agreements that were impaired under Canadian GAAP during 2010 since they were already accounted for in the IFRS opening consolidated statement of financial position.

16) Available-for-sale financial instruments. For available-for-sale financial instruments, IFRS requires that unrealized foreign exchange gains or losses from non-monetary investments be recorded in other comprehensive income and that unrealized foreign exchange gains or losses from monetary investments be recorded in income. Under Canadian GAAP, unrealized foreign exchange gains or losses from both non-monetary and monetary available-for-sale financial instruments are recorded in other comprehensive income. Since the Company has bonds (monetary investments) classified as available for sale, an adjustment was made on January 1, 2010, to decrease other comprehensive income and increase retained earnings by $281,000.

In 2010, as a result of reclassifying the unrealized foreign exchange gain on bonds from other comprehensive income to income, other comprehensive income decreased, and foreign exchange gain increased.

17) Professional fees. Per IAS 39, transaction costs associated with issuing new shares are deducted from equity when these costs are directly attributable to the issue of the new shares and otherwise are expensed to income. As a result, administrative and marketing expenses increased due to legal and audit costs associated with the filing of a short-term shelf prospectus in 2010.

18) Income taxes. Where appropriate, deferred taxes were adjusted to reflect the tax effect of the adjustments identified above. As a result, on January 1, 2010, the Company increased deferred tax assets by $4,005,000 and increased deferred tax liabilities by $1,998,000. To the extent that deferred taxes were adjusted due to IFRS adjustments made in 2010, income tax expense increased.

19) Acquisition-related costs. Per IFRS 3, the acquirer accounts for acquisition-related costs as expenses in the periods in which the costs are incurred. Per Canadian GAAP, incremental costs incurred to effect business combinations are recognized as costs of the business combinations and impact goodwill at the time of acquisition. As a result, during 2010, under IFRS, the Company recognized legal and audit costs associated with acquisitions, which increased administrative and marketing expenses.

Adjustments to purchase price allocations

Under Canadian GAAP, generally, initial purchase price allocations are subsequently adjusted through goodwill on a prospective basis. Under IFRS, if the initial accounting for a business combination can only be determined provisionally, subsequent adjustments to the allocation are retrospectively recognized from the date of acquisition. These adjustments (i.e., measurement period adjustments) are only those that confirm facts and circumstances existing at the acquisition date and may occur up to 12 months from the acquisition date. During 2011, the Company had significant measurement period adjustments relating to 2010 acquisitions; therefore, these adjustments were retroactively applied to 2010, impacting various line items in the Company's consolidated statements of financial position.

Restated consolidated financial statements

The following are reconciliations of the financial statements previously presented under Canadian GAAP to financial statements prepared under IFRS.

Consolidated Statements of Financial Position

(In thousands of Canadian dollars)	As at December 31, 2010 Canadian GAAP $	Effect of Transition to IFRS $	**IFRS $**	As at January 1, 2010 Canadian GAAP $	Effect of Transition to IFRS $	**IFRS $**
ASSETS						
Current						
Cash and short-term deposits	62,731	-	**62,731**	14,690	-	**14,690**
Trade and other receivables	290,388	5,352	**295,740**	253,205	-	**253,205**
Unbilled revenue	103,204	1,492	**104,696**	95,794	-	**95,794**
Income taxes recoverable	12,313	-	**12,313**	12,144	-	**12,144**
Prepaid expenses	11,068	(369)	**10,699**	11,352	-	**11,352**
Deferred tax assets	16,059	(16,059)	**-**	15,518	(15,518)	**-**
Other financial assets	-	10,589	**10,589**	-	4,664	**4,664**
Other assets	8,750	(4,574)	**4,176**	6,550	(2,316)	**4,234**
Total current assets	504,513	(3,569)	**500,944**	409,253	(13,170)	**396,083**
Non-current						
Property and equipment	113,996	(307)	**113,689**	108,256	(426)	**107,830**
Investment property	-	-	**-**	-	881	**881**
Goodwill	551,446	(3,174)	**548,272**	468,814	-	**468,814**
Intangible assets	73,370	(1,234)	**72,136**	64,155	(3,824)	**60,331**
Investments in associates	-	2,831	**2,831**	-	6,631	**6,631**
Deferred tax assets	21,396	19,516	**40,912**	23,940	19,523	**43,463**
Other financial assets	-	57,235	**57,235**	-	48,657	**48,657**
Other assets	58,787	(57,448)	**1,339**	49,127	(49,127)	**-**
Total assets	1,323,508	13,850	**1,337,358**	1,123,545	9,145	**1,132,690**
LIABILITIES AND EQUITY						
Current						
Trade and other payables	192,106	(5,819)	**186,287**	167,175	(7,782)	**159,393**
Billings in excess of costs	58,071	(1,330)	**56,741**	52,007	-	**52,007**
Income taxes payable	3,397	1,198	**4,595**	-	-	**-**
Current portion of long-term debt	47,265	(871)	**46,394**	35,428	-	**35,428**
Provisions	-	17,297	**17,297**	-	15,287	**15,287**
Deferred tax liabilities	15,843	(15,843)	**-**	15,643	(15,643)	**-**
Other financial liabilities	-	9,365	**9,365**	-	6,196	**6,196**
Other liabilities	14,660	(11,347)	**3,313**	13,558	(9,747)	**3,811**
Total current liabilities	331,342	(7,350)	**323,992**	283,811	(11,689)	**272,122**
Non-current						
Long-term debt	269,294	6,342	**275,636**	198,769	-	**198,769**
Provisions	-	39,143	**39,143**	-	42,232	**42,232**
Deferred tax liabilities	30,749	17,031	**47,780**	29,536	17,641	**47,177**
Other financial liabilities	-	5,789	**5,789**	-	7,606	**7,606**
Other liabilities	66,545	(37,215)	**29,330**	63,849	(37,129)	**26,720**
Total liabilities	697,930	23,740	**721,670**	575,965	18,661	**594,626**
Non-controlling interests	103	(103)	**-**	186	(186)	**-**
Shareholders' equity						
Share capital	225,158	-	**225,158**	221,983	-	**221,983**
Contributed surplus	13,340	-	**13,340**	12,606	-	**12,606**
Retained earnings	454,301	(60,457)	**393,844**	364,569	(61,603)	**302,966**
Accumulated other comprehensive (loss) income	(67,324)	50,567	**(16,757)**	(51,764)	52,087	**323**
Total equity attributable to equity holders of the Company	625,475	(9,890)	**615,585**	547,394	(9,516)	**537,878**
Non-controlling interests	-	103	**103**	-	186	**186**
Total equity	625,475	(9,787)	**615,688**	547,394	(9,330)	**538,064**
Total liabilities and equity	1,323,508	13,850	**1,337,358**	1,123,545	9,145	**1,132,690**

Consolidated Statements of Income

(In thousands of Canadian dollars, except per share amounts)	For the year ended December 31, 2010 Canadian GAAP $	Effect of Transition to IFRS $	**IFRS** **$**
Gross revenue	1,513,062	-	**1,513,062**
Less subconsultant and other direct expenses	287,022	-	**287,022**
Net revenue	1,226,040	-	**1,226,040**
Direct payroll costs	537,704	-	**537,704**
Gross margin	688,336	-	**688,336**
Administrative and marketing expenses	510,934	(210)	**510,724**
Depreciation of property and equipment	24,402	1,059	**25,461**
Amortization of intangible assets	17,599	(310)	**17,289**
Impairment of intangible assets	1,772	(1,772)	**-**
Net interest expense	9,000	(1,138)	**7,862**
Other net finance income	-	(219)	**(219)**
Share of income from associates	(2,209)	-	**(2,209)**
Gain on sale of equity investments	(7,183)	-	**(7,183)**
Foreign exchange loss (gain)	1,355	(361)	**994**
Other (income) expense	(850)	1,688	**838**
Income before income taxes	133,516	1,263	**134,779**
Income taxes			
Current	42,429	6	**42,435**
Deferred	(2,508)	111	**(2,397)**
Total income taxes	39,921	117	**40,038**
Net income for the year	93,595	1,146	**94,741**
Earnings per share			
Basic	2.05	0.02	**2.07**
Diluted	2.04	0.02	**2.06**

Consolidated Statements of Comprehensive Income

(In thousands of Canadian dollars)	For the year ended December 31, 2010 Canadian GAAP $	Effect of Transition to IFRS $	**IFRS** **$**
Net income for the year	93,595	1,146	**94,741**
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations	(18,981)	366	**(18,615)**
Net gain (loss) on available-for-sale financial assets	1,923	(361)	**1,562**
Net gain (loss) on cash flow hedge	2,157	(2,157)	**-**
Income tax	(659)	632	**(27)**
Other comprehensive loss for the year, net of tax	(15,560)	(1,520)	**(17,080)**
Total comprehensive income for the year, net of tax	78,035	(374)	**77,661**

39. Event After the Reporting Period

On February 15, 2012, the Company's board of directors approved a dividend policy and concurrently declared its first quarterly dividend of $0.15 per share, payable on April 17, 2012, to shareholders of record on March 30, 2012.

SHAREHOLDER INFORMATION

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AUDITORS
Ernst & Young LLP
Chartered Accountants
Edmonton, Alberta

PRINCIPAL BANK
Canadian Imperial Bank of Commerce

SECURITIES EXCHANGE LISTING
Stantec shares are listed on the Toronto Stock Exchange and New York Stock Exchange under the symbol STN.

Printed in Canada


Stantec


Mixed Sources
FSC

Exhibit 99.4

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Annual Report (Form 40-F) of Stantec Inc. (the “Company”) of our audit reports dated February 23, 2012, with respect to the consolidated financial statements of the Company and the effectiveness of internal control over financial reporting of the Company, included in the 2011 Financial Review Report to Shareholders of the Company.

Ernst & Young LLP

Edmonton, Canada
February 23, 2012

Chartered Accountants

Exhibit 99.5

CERTIFICATION
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a), PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, **DANIEL J. LEFAIVRE**, certify that:

1. I have reviewed this annual report on Form 40-F of Stantec Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 23, 2012

/s/ Daniel J. Lefaivre

DANIEL J. LEFAIVRE, FCMA
Senior Vice President & Chief Financial Officer

CERTIFICATION
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a), PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, **ROBERT J. GOMES**, certify that:

1. I have reviewed this annual report on Form 40-F of Stantec Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 23, 2012

/s/ Robert J. Gomes
ROBERT J. GOMES, P. ENG
President & Chief Executive Officer

Exhibit 99.6

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Stantec Inc. (the "Company") is filing its annual report on Form 40-F for the fiscal year ended December 31, 2011 (the "Report") with the United States Securities and Exchange Commission.

I, Daniel J. Lefaivre, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2012

/s/ Daniel J. Lefaivre
DANIEL J. LEFAIVRE, FCMA
Senior Vice President & Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Stantec Inc. (the "Company") is filing its annual report on Form 40-F for the fiscal year ended December 31, 2011 (the "Report") with the United States Securities and Exchange Commission.

I, Robert J. Gomes, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2012

/s/ Robert J. Gomes
ROBERT J. GOMES, P. ENG
President & Chief Executive Officer