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

FORM 40-F

o 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, 2007**
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 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:

[Ö] Annual information form [Ö] 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, 2007 – 45,703,935 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 [Ö]

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 [Ö] No [ ]

DISCLOSURE CONTROLS AND PROCEDURES

The disclosure provided under “Controls and Procedures” on page M-42 of Exhibit 3, 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 4 and is incorporated by reference herein.

AUDITOR ATTESTATION

The disclosure provided under “Independent Auditors’ Report on Internal Controls” on page F-3 of Exhibit 4 and is incorporated by reference herein.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The disclosure provided under “Controls and Procedures” on page M-42 of Exhibit 3, Management’s Discussion and Analysis, is incorporated by reference herein.

IDENTIFICATION OF THE AUDIT COMMITTEE

On December 31, 2007, Stantec’s audit committee was made up of the following three members: William (Bill) D. Grace (Chair), Robert R. Mesel, and Ivor M. Ruste.

AUDIT COMMITTEE FINANCIAL EXPERT

Stantec’s Board of Directors has determined that it has at least one audit committee financial expert serving on its audit committee. The Board of Directors has determined that each of William D. Grace, Ivor M. Ruste, and Robert R. Mesel is an audit committee financial expert (as such term is defined in the rules and regulations of the Securities Exchange Commission) and is 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’s Board of Directors, through its corporate governance and compensation committee, reviews the operation of the Code of Ethics and any waivers thereof. 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) in the “Inside Stantec – Governance” section and is available in print to any shareholder upon written request to the Secretary of Stantec.

The Board of Directors has also adopted whistleblower procedures which allow officers and employees who feel that a violation of the Code of Ethics has occurred to report this violation on a confidential and anonymous basis. The procedures allow concerns regarding accounting, internal accounting controls or auditing matters to be reported on a confidential and anonymous basis as well.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The disclosure provided under “External Auditor Service Fees” on page 30 of Exhibit 2, Annual Information Form, is incorporated by reference herein.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

The disclosure provided under “Preapproval Policy” on page 29 of Exhibit 2, Annual Information Form, is incorporated by reference herein.

OFF-BALANCE SHEET ARRANGEMENTS

The disclosure provided under “Off-Balance Sheet Arrangements” on page M-26 of Exhibit 3, Management’s Discussion and Analysis, is incorporated by reference herein.

CONTRACTUAL OBLIGATIONS

The disclosure provided under “Contractual Obligations” on page M-26 of Exhibit 3, 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.

Date: March 27, 2008

By: /s/ Anthony P. Franceschini

Anthony P. Franceschini
President and Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Description
1.	Notice of Annual Meeting of Shareholders, and Management Information Circular dated March 14, 2008
2.	Annual Information Form dated March 27, 2008
3.	Management's Discussion and Analysis for the year ended December 31, 2007 (pages M-1 through M-44 of the 2007 Financial Review)
4.	2007 Audited Consolidated Financial Statements (pages F-1 through F-35 of the 2007 Financial Review)
5.	Consent of Ernst & Young LLP
6.	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
7.	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
8.	Form of Proxy



STANTEC

ANNUAL MEETING

MAY 1, 2008

TSX STN
NYSE SXC

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS & MANAGEMENT INFORMATION CIRCULAR

MARCH 14, 2008

Stantec

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Stantec Inc.
10160 - 112 Street
Edmonton AB T5K 2L6
Tel: (780) 917-7000
Fax: (780) 917-7330

March 14, 2008

Dear Fellow Shareholder:

On behalf of the Stantec Board of Directors and the rest of the Stantec team, I would like to invite you to attend the annual meeting of shareholders of Stantec Inc. The meeting will be held as follows:

Date: Thursday, May 1, 2008
Time: 11:00 AM (MDT)
Place: Enterprise Square
10230 Jasper Avenue
Edmonton, Alberta

Alternatively, you may choose to attend the meeting through the Internet. The presentation will be broadcast live and archived on www.stantec.com under the Investor Relations section.

During the meeting, we will review the Company's 2007 operating and financial performance and outline our strategy going forward. You are also invited to attend a luncheon following the presentation, where you will have an opportunity to meet the directors and the Stantec leadership team.

Enclosed in this package you will find the Notice of Meeting, as well as a form of proxy and the Management Information Circular. Please return the proxy as soon as possible in order to ensure that your vote is recorded in due time.

Thank you for your continuing support.

Sincerely,

Tony Franceschini
President & CEO



STANTEC INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Stantec Inc. (Stantec) will hold its annual meeting of shareholders (the Meeting) at Enterprise Square, 10230 Jasper Avenue, Edmonton, Alberta on Thursday, May 1, 2008 at 11:00 AM (MDT) to

1. Receive Stantec's financial statements for the financial year ended December 31, 2007, together with the auditor's report on those statements
2. Elect the directors of Stantec
3. Appoint an auditor and to authorize the directors to fix the auditor's remuneration
4. Transact any other business properly brought before the Meeting

The accompanying Management Information Circular contains more information regarding these matters. Stantec's 2007 audited financial statements are included in the Stantec annual report which is being mailed with the circular.

The Board of Directors has fixed the close of business on March 14, 2008 as the record date for the determination of shareholders entitled to notice of and to vote at the meeting, and only shareholders of record on such date are entitled to vote on these matters at the meeting.

By order of the Board of Directors



Edmonton, Alberta
March 14, 2008

JEFFREY S. LLOYD
Secretary

If you are not able to attend the meeting in person, please exercise your right to vote by returning the enclosed form of proxy to Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, ON M5J 2Y1, so as to arrive no later than 11:00 AM (MDT) on April 29, 2008 or, if the meeting is adjourned, 11:00 AM (MDT) on the second business day before any adjournment.

SOLICITATION OF PROXIES

This Management Information Circular and the accompanying form of proxy are for use at Stantec's annual shareholder meeting, and any adjournments or postponements, for the purposes described in the accompanying notice of meeting. The meeting is scheduled for 11:00 AM (MDT), Thursday, May 1, 2008 at

Enterprise Square
10230 Jasper Avenue
Edmonton AB T5J 4P6

Stantec's management is soliciting proxies with this circular. Proxies will be primarily solicited by mail, but Stantec employees may also solicit proxies via telephone or in person. Stantec is bearing the costs associated with this solicitation. Unless otherwise noted, the information in this circular is current to March 14, 2008.

References in this Management Information Circular 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 Management Information Circular to "our," "us," or "we" also refer to "Stantec" in contexts explained above.

REGISTERED SHAREHOLDERS - APPOINTMENT AND REVOCATION OF PROXIES

You are a registered shareholder if your shares are held in certificate form in your name. If you are a registered shareholder you can vote your shares in person at the meeting, or by one of the methods described below

1. To vote by mail or delivery, your paper proxy must by completed, signed, and returned in accordance with the instructions on the enclosed form of proxy.

2. To vote by telephone, call the toll-free number indicated on the enclosed form of proxy. Using a touch-tone telephone to select your voting preferences, follow the instructions of the "vote voice" and refer to your control number, holder account number and access number provided on the enclosed proxy when instructed to do so. **Note that voting by telephone is not available if you wish to appoint a person as a proxy other than the persons named on the proxy form.** In such a case, your proxy should be voted by mail, delivery, or Internet.

3. To vote using the Internet, visit the Internet website indicated on the enclosed form of proxy. Follow the on-line voting instructions given to you over the Internet to select your voting preferences and refer to your control number, holder account number and access number provided on the enclosed proxy when instructed to do so.

If you are not a registered shareholder, in order to vote your shares, you must follow the steps described below under the heading "NON-REGISTERED (BENEFICIAL) SHAREHOLDERS – APPOINTMENT AND REVOCATION OF PROXIES."

If you are a registered shareholder and you complete and return the enclosed proxy in one of the three methods described above, you give authority to the individuals named in the proxy, or

an individual of your choosing (in the case of a paper proxy or an Internet proxy), to attend, vote and act on your behalf at the meeting.

The individuals named in the enclosed form of proxy are our directors and/or officers. **You have the right to appoint a person of your choice, who need not be a Stantec shareholder, to represent you and to attend and act on your behalf at the meeting. If you wish to appoint someone other than individuals listed in the enclosed proxy, please insert the name of the person you wish to appoint in the paper proxy or the Internet proxy in the space provided for that purpose.**

Whichever method you choose, your proxy must be received by

Computershare Trust Company of Canada
9th Floor, 100 University Avenue
Toronto, ON M5J 2Y1

before 11:00 AM (MDT) on April 29, 2008. If the meeting is adjourned or postponed, the proxy must be signed and received by Computershare before 11:00 AM (MDT) on the second business day before the adjourned meeting.

After you, or your attorney (duly authorized in writing), have returned a proxy to Computershare Trust Company of Canada, you may revoke it by delivering a duly executed proxy with a later date by paper, telephone, or Internet. You may also use a form of revocation of proxy or other instrument signed by you or by your attorney authorized in writing and deliver it to

1. Our registered office before the end of business on the day before the meeting or any subsequent adjournment or postponement or

2. The chairman of the meeting before the start of the meeting or before any adjournment or postponement

You may also revoke your proxy in any other manner permitted by law.

NON-REGISTERED (BENEFICIAL) SHAREHOLDERS – APPOINTMENT AND REVOCATION OF PROXIES

Only proxies deposited by registered shareholders can be recognized and acted upon at the meeting. If your shares are held in the name of a nominee, such as a bank, trust company, securities broker, trustee (including RRSP, RRIF or RESP trustee), or other financial institution, you are considered a **beneficial shareholder**. In this event, your nominee, rather than you, appears on Stantec's registered shareholder list.

Shares held by a nominee must be voted according to the beneficial shareholder's instructions. Regulatory policy requires nominees to seek voting instructions from beneficial shareholders in advance of shareholder meetings. **If you receive a proxy from your nominee, you cannot use that proxy to vote your shares in person at the meeting.**

If you are a beneficial shareholder, there are two ways that you can vote your shares;

1. By providing, well in advance of the meeting, voting instructions to your nominee, who will have sent you either a request for voting instructions, or a form of proxy for the number of shares you hold. You should carefully follow your nominee's procedures and return instructions to ensure that your shares are voted at the meeting.

2. By attending the meeting. We do not generally have the names of non-registered shareholders; therefore, if you want to attend the meeting in person, you must have your nominee appoint you as his or her proxyholder in respect of your shares. Only after having been appointed as a proxyholder will you be able to vote your shares at the meeting. If you plan to vote in this manner, contact your nominee to determine what documents you need to complete to be appointed a proxyholder. You will also need to register with our transfer agent at the meeting.

There are two kinds of beneficial shareholders: those who object to their names being made known to the issuers of securities they own, called objecting beneficial owners, and those who do not object to the issuer of the securities they own knowing who they are, called non-objecting beneficial owners (NOBOs).

We have decided to take advantage of those provisions of National Instrument 54-101 that permit us to deliver proxy-related material directly to our NOBOs. If you are a beneficial shareholder and Computershare Trust Company of Canada, our transfer agent, has sent these materials directly to you, your name and address and information about your holdings of common shares have been obtained in accordance with applicable securities legislation from the intermediary holding common shares on your behalf. By choosing to send these materials to you directly, we have assumed responsibility for (i) delivering these materials to you and (ii) executing your proper voting instructions. As a result, NOBOs can expect to receive a scannable voting instruction form (VIF) from our transfer agent, Computershare Trust Company of Canada. These VIFs are to be completed and returned to Computershare Trust Company of Canada in the envelope provided or by facsimile. In addition, telephone voting and Internet voting instructions can be found in the VIF. Computershare Trust Company of Canada will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the meeting with respect to the common shares represented by the VIFs they receive. If you are a NOBO and wish to vote your common shares in person at the meeting, please insert your own name in the space provided on the VIF to appoint yourself as proxyholder. Do not complete the voting instructions, as your vote will be counted at the meeting. Please register with the transfer agent, Computershare Trust Company of Canada, when you arrive.

If you are a beneficial shareholder, you should contact your nominee to discuss whether revocation is possible and what procedure to follow.

VOTING OF SHARES REPRESENTED BY MANAGEMENT PROXIES

Unless you specify another individual, the enclosed form of proxy authorizes the two named individuals, who represent our management, to vote your shares at the meeting according to your instructions. **In the absence of specific instructions, the management representatives will vote for the election of the directors and the appointment of auditor.**

The form of proxy also authorizes management representatives to use their discretion for other matters that properly come before the meeting. As of the date of this circular, our management does not know of any matters to come before the meeting other than the matters listed in the notice of meeting.

PARTICULARS OF MATTERS TO BE ACTED ON AT THE MEETING

To the knowledge of our management, the only matters to be placed before the meeting are the matters set forth in the Notice of Meeting and as further described below.

1. **Report of Management and Consolidated Financial Report**

The report of management and the audited consolidated financial statements for the year ended December 31, 2007, including management's discussion and analysis, are contained in our 2007 annual report under Financial Review. Shareholders who have requested a copy of the 2007 annual report will receive it by mail. If you did not request a copy, you may view the annual report online at www.stantec.com or at www.sedar.com, or, you may obtain a copy upon request to Stantec's Corporate Secretary at 10160 – 112 Street, Edmonton, Alberta T5K 2L6.

2. **Election of Directors**

See page 14 under the heading "ELECTION OF DIRECTORS."

3. **Appointment of Auditor**

It is proposed that Ernst & Young LLP, Chartered Accountants be appointed as our auditor for the 2008 fiscal year.

Aggregate fees paid to Ernst & Young LLP, Stantec's external auditor, during the fiscal years ended December 31, 2007 and 2006 were as follows:

Category	Note	2007	2006
Audit Fees	1	$1,021,000	$1,056,000
Audit-Related Fees	2	11,000	0
Tax Fees	3	695,000	532,000
Total		$1,727,000	$1,588,000

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 and due diligence relating to potential business acquisitions.

Unless you specify otherwise by proxy or by voting at the meeting, the management representatives designated in the form of proxy intend to vote for the reappointment of Ernst & Young LLP, Chartered Accountants as our auditor to hold office until the close of the next annual shareholders' meeting and to authorize our directors to set Ernst & Young LLP's remuneration for the year. Ernst & Young LLP has served as Stantec's auditor since December 11, 1993.

4. **Other Business**

We do not know of any other matter that will come before the meeting other than the matters disclosed in the notice of meeting.

INFORMATION REGARDING STANTEC

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

To our knowledge, none of our directors or executive officers, or any associate or affiliate of any such person, has any material interest, direct or indirect, by way of securities or otherwise, in any matter to be acted upon at the meeting other than the election of directors.

CURRENCY

All currency in this Management Information Circular is in Canadian dollars, except where otherwise indicated.

VOTING SHARES AND THEIR PRINCIPAL HOLDERS

As of the record date (March 14, 2008), Stantec has 45,648,773 common shares issued and outstanding. Each holder of common shares on the record date will be entitled to one vote on all matters proposed to come before the meeting for each common share held.

To the knowledge of our directors and officers, no person beneficially owns, directly or indirectly, or controls or directs more than 10% of Stantec's outstanding common shares.

NORMAL COURSE ISSUER BID

On May 28, 2007, we announced our intention to make a normal course issuer bid starting June 1, 2007 and expiring May 31, 2008. During this period, we may acquire up to 2,279,496 common shares, being approximately 5% of the issued and outstanding common shares at the time of the issuer bid's announcement.

We believe that, at certain times, the market price of our common shares may not adequately reflect the value of our business and our future business prospects. As a result, we believe that our outstanding common shares may, at such times, represent an attractive investment and an appropriate and desirable use of our available funds. We will purchase our common shares for cancellation.

Purchases will be effected through the Toronto Stock Exchange (TSX) facilities, in accordance with its by-laws, rules, and policies. We will pay the market price for any common shares we acquire.

You may contact us at: 200 - 10160 - 112 Street, Edmonton AB T5K 2L6 to obtain a copy of our Notice of Intention to Make a Normal Course Issuer Bid that was filed with the TSX. The Notice of Intention to Make a Normal Course Issuer Bid is also available on SEDAR at www.sedar.com.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Our Board of Directors believes in the importance of sound corporate governance practices.

In Canada, the guidelines and rules applicable to our Company are National Instrument 58-101, Disclosure of Corporate Governance Practices ("NI 58-101"), National Policy 58-201 Corporate Governance Guidelines ("NP 58-201") and Multilateral Instrument 52-110 Audit Committees ("MI 52-110"). Our practices required pursuant to NI 58-101 are described in Schedule "A" to this circular.

As a New York Stock Exchange (NYSE) listed company, we also closely follow the corporate governance standards set out in the NYSE Listed Company Manual. Please see Schedule "A" for a summary of where our corporate governance practices differ significantly from the NYSE standards. We continue to monitor and adapt as corporate governance standards evolve.

Board of Directors' Meetings

There were six Board of Directors' meetings in 2007. The Board of Directors has met twice in 2008 and five additional meetings are scheduled. The agenda for these scheduled Board of Directors' meetings, and whether additional meetings are necessary, will depend on the state of our affairs, including any opportunities or problems facing us.

It is our current practice to hold at least one Board of Directors' meeting each year at a location other than the head office. Management feels that we benefit from giving directors broad exposure to our business and operations. At these meetings, directors are given the opportunity to meet with senior management in different regions. Last year, Board of Directors' meetings were held in Edmonton, Alberta, and New York, New York.

Committees of the Board of Directors

In 2007, there were two committees of the Board of Directors: (1) the Audit Committee and (2) the Corporate Governance and Compensation Committee.

Audit Committee



The Audit Committee members are all independent directors. The committee members are William D. Grace, Chairman, Robert R. Mesel, and Ivor M. Ruste. In summary, the committee monitors, evaluates, approves, and makes recommendations on matters affecting our external audit, financial reporting, and accounting control policies.

The Audit Committee met nine times in 2007. In addition to formal meetings, the members of the Audit Committee meet informally as required, either in person or by telephone. The chairman of the Audit Committee provides regular reports at our Board of Directors' meetings.

Additional information regarding the Audit Committee and its members and the text of the Audit Committee Terms of Reference may be found in our Annual Information Form dated March 27, 2008, filed on SEDAR at www.sedar.com.

Corporate Governance and Compensation Committee



The Corporate Governance and Compensation Committee members are all independent directors. The committee members are Robert J. Bradshaw, Chairman, William D. Grace and Susan E. Hartman.

This committee makes recommendations to the Board of Directors on

Corporate Governance Matters

- Developments in the area of corporate governance generally
- Composition and size of the Board of Directors
- Appropriate candidates for nomination to the Board of Directors
- Providing an orientation and education program for new directors
- Evaluating the performance of the Board of Directors, any committees, and individual directors
- Considering and approving any requests by an individual director to engage outside experts at our expense

Compensation Matters

- Compensation policies reflecting the rationale for each element of executive pay, including the link between compensation and performance and the level of competitiveness of the total compensation package
- Administration of our employee share option plan
- Executive management compensation, including bonuses, stock options, pensions, and benefits
- Compensation for the chief executive officer
- Senior management performance reviews
- Our succession plans for executive management positions

The Corporate Governance and Compensation Committee met twice in 2007. The chairman of the Corporate Governance and Compensation Committee provides regular reports at our Board of Directors' meetings.

ELECTION OF DIRECTORS

Seven directors will be elected at the meeting. The management representatives named in the form of proxy intend to vote for the nominees listed below. All of the listed nominees are currently directors and all of the current directors' appointments will expire at the meeting. Our management believes that each of the listed nominees will be able to serve as a director. If for any reason before the meeting, a nominee is unable to serve as a director, the persons named in the form of proxy have the discretion to vote for another nominee at the meeting. Each elected director will hold office until the next annual general meeting or until a successor is duly elected or appointed.

The number of common shares and deferred share units held by each of the directors as described below is at March 14, 2008. The value of the common shares and deferred share units described for each of the directors is calculated based upon the closing price of our common shares on March 14, 2008.

Ronald Triffo - Chairman of the Board of Directors, Stantec Inc.
Edmonton, AB – Canada
Age: 68



Ronald Triffo has been associated with Stantec since 1977. He was appointed president in 1983, president and chief executive officer in 1988 and chairman of the Board of Directors in 1998. Mr. Triffo holds a bachelor of science in civil engineering from the University of Manitoba and a master of science in engineering from the University of Illinois. He is currently a director of TELUS Corporation (TSX, NYSE) as well as the chairman of the Alberta Ingenuity Fund. Mr. Triffo is the immediate past chair of Alberta Treasury Branches (ATB Financial) and a past chair of the Alberta Economic Development Authority. He also serves on the board of Alberta's Promise, the Advisory Council of the Faculty of Medicine and Dentistry at the University of Alberta, and the Board of Governors of Junior Achievement of Northern Alberta. Mr. Triffo is a past president of the Consulting Engineers of Alberta and the Association of Consulting Engineers of Canada and has received several provincial and national awards for his extensive contributions to the engineering profession, community, and business.

Director Since	Independent	Common Shares[1]	Options	Deferred Share Units	2007 Attendance	
August 12, 1985	Yes	999,576 Value: $30,976,860	0	4,000 Value: $123,960	Board Meetings	6 of 6

Robert J. Bradshaw – Chairman, Contor Industries Limited
Toronto, ON – Canada
Age: 60



Robert J. Bradshaw has been a member of the Stantec Board of Directors since 1993. He 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 the chairman of Contor Industries Limited, which acquires mature manufacturing companies requiring significant turn-around activities. The business of the Contor companies ranges from nuclear and aerospace to hydro electric, gold mining, food processing, aircraft leasing, and waste disposal. Mr. Bradshaw is a director of Configuresoft, Inc.

Director Since	Independent	Common Shares[1]	Options	Deferred Share Units	2007 Attendance	
December 14, 1993	Yes	110,000 Value: $3,408,900	0	15,200 Value: $471,048	Board Meetings	5 of 6
					Corporate Governance & Compensation Committee	2 of 2

Anthony (Tony) P. Franceschini - President & Chief Executive Officer, Stantec Inc.
Edmonton, AB – Canada
Age: 57



Anthony P. Franceschini has been with Stantec since 1978, where he has provided consulting services, management, and leadership, becoming chief executive officer in 1998. He has served as a director of Stantec since the Company became publicly traded in March 1994. He also serves as a director of Esterline Technologies Corporation (NYSE-ESL), a leading manufacturer in the aerospace/defence markets and is a director of privately held CCI Thermal Technologies Inc., an Edmonton-based manufacturer of industrial heating products and custom-engineered process heating equipment. Mr. Franceschini is also a member of the not-for-profit University of Alberta Hospital Foundation.

Director Since	Independent	Common Shares[1]	Options	Deferred Share Units	2007 Attendance	
February 3, 1994	No	341,058 Value: $10,569,387	300,000	Not eligible	Board Meetings	6 of 6

Susan E. Hartman – President and Owner, The Hartman Group
Rochester, NY – USA
Age: 57



Susan E. Hartman has been a member of Stantec's Board of Directors since 2004. Ms. Hartman holds a bachelor of science in chemistry and has diverse experience in strategic planning, business management, mergers and acquisitions, operations, and international business development. In 1993 she started her own management consulting firm, The Hartman Group. Ms. Hartman continues as president and owner of The Hartman Group, leading the company's consulting services in the area of strategic and operational planning, overall business assessment, process optimization, and project management. She currently serves as a board member on The SCORE Foundation and was recently appointed to the boards of Electri-Cord Manufacturing Co., Pierce Industries, and Unity Health Systems.

Director Since	Independent	Common Shares[1]	Options	Deferred Share Units	2007 Attendance	
November 4, 2004	Yes	4,650 Value: $144,103	0	11,200 Value: $347,088	Board Meetings	6 of 6
					Corporate Governance & Compensation Committee	2 of 2

Aram H. Keith – Vice-Chairman of the Board of Directors, Stantec Inc.
Irvine, CA – USA
Age: 63



Aram H. Keith co-founded The Keith Companies, Inc. in March 1983 and served as its chief executive officer and chairman of the Board of Directors until its acquisition by Stantec in 2005. During that time, the firm grew to have 17 offices and over 850 employees. Under his leadership, The Keith Companies won many major awards for its outstanding projects. Mr. Keith has been a licensed civil engineer since 1972. He received a bachelor of science in civil engineering from California State University at Fresno and was recently named Alumni of the Year. Mr. Keith was named an Entrepreneur of the Year by Ernst & Young and his firm was named one of the Top 10 Large Firms to Work For by *Civil Engineering News* in 2005. Mr. Keith has served his church in many capacities throughout the years and currently sits on its Board of Trustees. He has also been involved in groups like the Boy Scouts, the Boys and Girls Clubs, the Special Olympics, City of Hope, and Concordia University.

Director Since	Independent	Common Shares[1]	Options	Deferred Share Units	2007 Attendance	
November 3, 2005	No	222,162 Value: $6,884,800	0	800 Value: $24,792	Board Meetings	6 of 6

Robert R. Mesel – Corporate Director
Kiawah Island, SC – USA
Age: 72



Robert R. Mesel has been a member of Stantec's Board of Directors since 2004. Mr. Mesel is an experienced business professional with expertise in business development, administration, accounting, and finance. Prior to his retirement in 1998, Mr. Mesel was a director and/or trustee for many prestigious organizations, including the Financial Executive Institute (Northeast Ohio Chapter), Ohio Council for Economic Education, Greater Cleveland Salvation Army, and Canisius College. Mr. Mesel completed his bachelor of business administration in accounting at Canisius College, his masters of business administration at State University of New York at Buffalo, and the advanced management program at Harvard Business School. He is also the past president of BP Chemicals Inc. and Chase Brass & Copper Company.

Director Since	Independent	Common Shares[1]	Options	Deferred Share Units	2007 Attendance	
November 4, 2004	Yes	5,000 Value: $154,950	0	11,200 Value: $347,088	Board Meetings	6 of 6
					Audit Committee	9 of 9

Ivor M. Ruste – Executive Vice President & Chief Risk Officer, EnCana Corporation
Calgary, AB – Canada
Age: 52



Ivor Ruste joined the board of Stantec in February of 2007. Mr. Ruste is currently executive vice president and chief risk officer for EnCana Corporation (an unconventional natural gas and integrated oil company) headquartered in Calgary. He has a bachelor of commerce (with distinction) from the University of Alberta and is a Fellow Chartered Accountant. 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 just prior to joining EnCana in May 2006, was the Alberta regional managing partner and vice chair of the KPMG Canada Board of Directors. Mr. Ruste currently serves on the Board of Governors for the University of Alberta and is chair of the Audit Committee. Mr. Ruste has been active over the past 27 years in numerous other business, community, and professional activities.

Director Since	Independent	Common Shares[1]	Options	Deferred Share Units	2007 Attendance	
February 21, 2007	Yes	1,500 Value: $46,485	0	4,000 Value: $123,960	Board Meetings	5 of 6
					Audit Committee	9 of 9

[1] Denotes common shares currently beneficially owned, directly or indirectly, or controlled or directed by the nominees.
With the exception of Aram H. Keith who, prior to September 15, 2005, was the chief executive officer and chairman of the board of The Keith Companies, Inc., and Ivor M. Ruste who, prior to March 1, 2006, was a managing partner of the Edmonton office of KPMG LLP, each of the directors of Stantec has been engaged for more than five years in their present principal occupation or in other capacities with the company or organization (or a predecessor thereof) in which they currently hold their principal occupation.

MAJORITY VOTING POLICY

In November 2007, the board reviewed and adopted a majority voting policy on the recommendation of the Corporate Governance and Compensation Committee. Under this new policy, a director who is elected in an uncontested election with more votes withheld than cast in favor of his or her election will be required to tender his or her resignation following certification of the shareholder vote. The Corporate Governance and Compensation Committee will promptly consider the resignation and will recommend to the board whether or not to accept the tendered resignation. The board expects that resignations will be accepted unless there are extenuating circumstances that warrant a contrary decision. We will promptly publicly disclose the board's decision and process in a periodic or current report filed with the Canadian Securities Administrators.

COMPENSATION OF DIRECTORS

Mr. Triffo, the chairman of the Board of Directors, receives a retainer in the amount of $75,000 per year as a director fee retainer pursuant to an agreement with Stantec. Mr. Triffo is entitled to participate in the deferred share unit program and is also entitled to the same meeting fees as other Directors. This agreement with Mr. Triffo will end when he ceases to be the chairman of the Board of Directors.

Mr. Keith, vice-chairman of the Board of Directors, receives US$125,000 per year as a director fee retainer pursuant to an agreement with Stantec. He is not paid any additional amounts for attending Board of Directors' meetings or committee meetings or for attending meetings or events in support of the Company. This agreement with Mr. Keith was scheduled to end on September 29, 2006, whereupon his director compensation would revert to the compensation paid, from time to time, to independent members of the Stantec Board of Directors, pursuant to an agreement with Stantec. The Board of Directors extended the agreement until December 31, 2007. As of January 1, 2008, Mr. Keith receives the same compensation as other directors.

The president and chief executive officer, Mr. Franceschini, is not compensated for acting as a director.

The remaining directors are paid according to our director compensation program which is intended to

1. Encourage the directors to hold a continuing equity interest in Stantec
2. Align the interests of directors with the interests of shareholders
3. Attract and retain qualified Canadian and US directors

The director compensation program includes deferred share units each of which has the same value as one of our common shares. However, deferred share units carry no voting rights, and cannot be transferred and carry no right to be exchanged into our common shares. Deferred share units cannot be exercised until death or retirement of a director, upon which, the value of a director's deferred share units are paid in cash. Each deferred share unit will be valued at our common share market price on the last trading day of the month of the death or retirement of the director. Deferred share units are granted on the last day of the previous quarter and once granted, the number of deferred share units will not be adjusted even if the director dies or retires in the quarter to which a grant of deferred share units relates. The number of deferred share units held by directors and the number of deferred share units to which directors are entitled will be appropriately adjusted for any change in our outstanding common shares that occurs by reason of any stock split, consolidation, or other corporate change.

The directors, other than Mr. Franceschini, and Mr. Keith, receive

- 3,200 deferred share units a year (800 per quarter)
- An additional $1,500 per quarter if they chair the Board of Directors' Corporate Governance and Compensation Committee
- An additional $3,000 per quarter if they chair the Board of Directors' Audit Committee
- $1,800 for every Board of Directors' meeting or Board of Directors' committee meeting they attend

E. John (Jack) Finn retired from the Board of Directors on May 3, 2007. As a result of his retirement, he was paid the amount of $449,664 which was the value of the deferred share units he had earned as a member of the Board of Directors. According to our deferred share unit policy, deferred share units are earned annually but not paid until retirement of the board member.

The total amount earned by our directors for the year ended December 31, 2007, was as follows:

	CASH COMPENSATION						DEFERRED SHARE UNIT COMPENSATION	
Directors	Board Meetings[1] $1,800/ Meeting	Audit Committee Meetings $1,800/ Meeting	Audit Chair $3,000/qtr	Corp. Gov. & Comp. Committee $1,800/ Meeting	Corp. Gov & Comp. Chair $1,500/qtr	Total	# of DSUs	Value at Date of Issue
Triffo, Ronald[2]	$ 10,800	$ 7,200	Nil	$ 3,600	Nil	$ 99,290[2]	3,200	$99,968
Franceschini, Anthony P.[3]	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Keith. Aram H.[2]	Nil	Nil	Nil	Nil	Nil	$134,120[2,4]	Nil	Nil
Bradshaw, Robert J.	$ 9,000	Nil	Nil	$ 3,600	$ 6,000	$ 18,600	3,200	$99,968
Finn, E. John (Jack)	$ 5,400	$ 5,400	Nil	Nil	Nil	$ 10,800	1,600	$45,520
Grace, William D.	$ 10,800	$ 16,200	$ 12,000	$ 3,600	Nil	$ 42,600	3,200	$99,968
Hartman, Susan E.	$ 10,800	Nil	Nil	$ 3,600	Nil	$ 14,400	3,200	$99,968
Mesel, Robert R.	$ 10,800	$ 16,200	Nil	Nil	Nil	$ 27,000	3,200	$99,968
Ruste, Ivor M.	$ 9,000	$ 16,200	Nil	Nil	Nil	$ 25,200	3,200	$101,240

Totals	**$ 66,600**	**$ 61,200**	**$12,000**	**$ 14,400**	**$ 6,000**	**$ 372,010**	**20,800**	**$646,600**

1 A total of six Board of Director meetings were held in 2007, two of which were by conference call.

2 Mr. Triffo was paid compensation of $150,000 per year as a director fee retainer pursuant to an agreement with Stantec. This agreement was amended as of January 1, 2007 to $75,000 per year. He is also entitled to participate in the deferred share unit program and is entitled to the same meeting fees as other directors. As of December 31, 2007, Mr. Triffo earned a director fee retainer of $77,690. Likewise, Mr. Keith is paid $134,120 pursuant to an agreement with Stantec. Payments made to directors with respect to each retainer are paid within 30 days after the close of each quarter. As such, the retainers earned in the fourth quarter are not paid to directors until the first quarter of the following year, thus while Mr. Triffo earned $75,000 for the calendar year 2007, he was paid $77,690, which represents the retainers earned during the fourth quarter of 2006 and the first three quarters of 2007.

3 Mr. Franceschini is not compensated for acting as a director.

4 Mr. Keith was paid $124,762 in US dollars.

DIRECTOR EQUITY OWNERSHIP

We encourage our directors to have an equity position in Stantec. Under the board's director ownership guideline adopted at the November 2, 2007, Board of Directors' meeting, a director is required to own $200,000 in equity either in the form of deferred share units or common shares or some combination of both within five years of becoming a director. Each of our directors have met this requirement.

AGE AND TERM LIMITS

The Board of Directors does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board of Directors, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into us and our operations and, therefore, provide an increasing contribution to the Board of Directors as a whole.

As an alternative to term limits, the Corporate Governance and Compensation Committee, in consultation with the chairman of the Board and our chief executive officer, review each director's continuation on the Board of Directors as least every three years. This will also allow each director the opportunity to conveniently confirm his or her desire to continue as a member of the Board of Directors.

While the board has not adopted a formal policy regarding the retirement age of directors, the board believes that once a director reaches the age of 72 his or her continued service on the board should be reviewed by both the Corporate Governance and Compensation Committee and the Board of Directors.

Upon retirement or resignation from the Board of Directors, a director is not entitled to, nor does the director receive, any form of retirement compensation. The only payment received by a director upon retirement or a resignation is the earned value of the director's deferred share units.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table summarizes the compensation for our chief executive officer and chief financial officer and the next three most highly compensated executive officers, collectively, our "named executive officers."

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards	All Other Compensation
		Salary	Bonus[1]	Securities under Options[2]	
A.P. FRANCESCHINI	2007	$375,005	$1,896,522	Nil	$7,500[3]
President & CEO	2006	$375,005	$1,722,106	Nil	$7,500[3]
	2005	$375,004	$1,161,425	Nil	$7,730[3]
M.E. JACKSON	2007	$270,201	$475,000	Nil	$19,588[4]
Senior Vice President & COO	20062	$249,109	$350,000	10,000	$36,021[5]
	005	$226,336	$300,000	Nil	$10,305[3]
D.W. WILSON	2007	$274,047	$425,000	Nil	$13,491[3]
Senior Vice President & CFO	2006	$249,307	$350,000	10,000	$12,465[3]
	2005	$232,828	$300,000	Nil	$11,883[6]
V. DIMANNO	2007	$249,048	$425,000	10,000	$10,933[3]
Senior Vice President, Canada	2006	$223,210	$350,000	10,000	$8,565[7]
	2005	$177,991	$200,000	Nil	$6,590[3]
J. KISHEL (US $)	2007	$248,129	$375,000	10,000	$11,225[3]
Senior Vice President,	2006	-	-	-	-
US West	2005	-	-	-	-

1. Represents bonuses earned and calculated in respect of the indicated financial year.
2. Options for Common Shares of Stantec. See below for further information regarding option grants and exercises during the most recently completed financial year.
3. Represents a payment to the executive officer's registered retirement savings/employee share purchase plan.
4. Represents a payment to Mr. Jackson's registered retirement savings/employee share purchase plan ($13,510) and a payout of vacation time that Mr. Jackson had accrued but not taken during his time at Stantec ($6,078).
5. Represents a payment to Mr. Jackson's registered retirement savings/employee share purchase plan ($12,456)anda payout of vacation time that Mr. Jackson had accrued but not taken during his time at Stantec ($23,565).
6. Represents a payment to Mr. Wilson's registered retirement savings/employee share purchase plan ($10,533)and a service award ($1,350).
7. Represents a payment to Mr. DiManno's registered retirement savings/employee share purchase plan ($6,765)and a service award ($1,800).

Chief Executive Officer Compensation

Compensation	Value
Base salary	$375,005
Bonus	$1,896,522
ESP/RRSP	$7,500

Share options granted in 2007 fiscal year	0
Total compensation	**$2,279,027**

Mr. Franceschini receives no other forms of compensation other than those items and amounts listed in the preceding chart.

Chief Executive Officer Share Ownership

We believe that it is important to align the interests of Stantec's chief executive officer with those of our shareholders and this can be achieved by encouraging the chief executive officer to have significant personal holdings of our common shares. Under the chief executive officer share ownership guideline adopted by the board at its September 13, 2007, Board of Directors' meeting, the chief executive officer is required to own 2.0 times his or her annual base salary and such ownership is to be achieved within five years of being appointed chief executive officer. Mr. Franceschini has met this requirement.

Option Grants During the Most Recently Completed Financial Year

Name	Securities under Options[1]	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price ($/Common Share)	Market Value of Securities Underlying Options on the Date of Grant ($/Security)	Expiration Date
A.P. Franceschini	Nil	0.00%	N/A	N/A	N/A
M.E. Jackson	Nil	0.00%	N/A	N/A	N/A
D.W. Wilson	Nil	0,00%	N/A	N/A	N/A
V. DiManno	10,000[2]	2.14%	$30.61	$30.61	August 17, 2014
J. Kishel	10,000[2]	2.14%	$30.61	$30.61	August 17, 2014

1 Options granted under our employee share option plan to purchase our common shares.
2 3,333 options are exercisable on August 17, 2008, 3,333 options are exercisable on August 17, 2009, and 3,334 options are exercisable on August 17, 2010.

Aggregated Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options at Financial Year End (#) Exercisable/Unexercisable	Value of Unexercised in-the-Money Options at Financial Year End[1] Exercisable/Unexercisable
A.P. Franceschini	Nil	Nil	240,000/60,000	$6,907,200/$1,520,400
M.E. Jackson	Nil	Nil	45,333/6,667	$1,288,607/$123,473
D.W. Wilson	21,000	$483,050	40,333/6,667	$1,140,157/$123,473
T. DiManno	4,000	$95,600	32,333/16,667	$923,037/$216,273
J. Kishel	Nil	Nil	0/10,000	0/$82,800

[1] The closing price of our common shares on the TSX on December 31, 2007 was $38.89.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,751,022	$18.32	2,181,732[1]

[1] This number is equal to the maximum number of Stantec options authorized to be issued under the Stantec Share Option Plan (4,487,026) less 554,272 Stantec options which have been exercised less the 1,751,022 Stantec options outstanding as at December 31, 2007.

Terms of the Plan

Each option granted under the Stantec employee share option plan has a maximum term of 10 years and is exercisable on terms determined by the Board of Directors, including vesting and restrictions on sale or other disposition of common shares acquired upon exercise of an option. The Board of Directors establishes the exercise price for options when issued, which in all cases cannot be less than the closing price of the common shares on the TSX on the trading day immediately preceding the date of the grant.

Any common shares subject to an option which is for whatever reason cancelled or terminated without having been exercised, are again available for grant under the employee share option plan.

The maximum number of common shares which may be reserved for issuance to insiders under the employee share option plan is 10% of the common shares outstanding at the time of the grant (on a non-diluted basis) less the aggregate number of common shares reserved for issuance to insiders under any other share compensation arrangement. In addition, the maximum number of common shares which may be issued to insiders under the plan within a one year period is 10% of the common shares outstanding at the time of the issuance (on a non-diluted basis), excluding common shares issued under the plan or any other share compensation arrangement over the preceding one year period. The maximum number of common shares which may be issued to any one insider under the employee share option plan within a one year period is 5% of the common shares outstanding at the time of the issuance (on a non-diluted basis), excluding common shares issued to the insider in question under the employee share option plan or any other share compensation arrangement over the preceding one year period. However, any entitlement to acquire common shares granted pursuant to the plan or any other share compensation arrangement prior to the option holder becoming an insider shall be excluded for the purposes of the limits set out above.

In addition, the maximum number of common shares which may be reserved for issuance to any one person is 5% of the common shares outstanding at the time of the grant (on a non-diluted basis) less the aggregate number of common shares reserved for issuance to such person under any other option to purchase common shares from treasury granted as compensation or incentive mechanism.

Should the number of issued and outstanding Stantec common shares change due to a stock dividend, split, consolidation, or other corporate change, the Board of Directors will, with the approval of the relevant stock exchange, make an appropriate adjustment to the terms of previously issued options.

If an option holder ceases to be eligible for the plan for any reason other than death, each option held by that person ceases to be exercisable 30 days after that person becomes ineligible and any option or portion of an option not vested by the date of becoming ineligible cannot be exercised under any circumstances. These provisions apply regardless of whether the person is dismissed with or without cause.

Options are only assignable when an option holder dies and only by will or by the laws of descent and distribution. Following death of an option holder, his or her legal representative may exercise the options within six months after the date of death, but only to the extent that the options were by their terms exercisable on the date of death.

Under the employee share option plan, the expiry date of options expiring while a blackout period is automatically extended to ten business days following the lifting of the blackout. In the event that the term of an option expires within or within three trading days following the end of a blackout period imposed by us, which does not include a cease trade order imposed by any securities regulatory authority, the option expires on the date that is ten trading days following the end of the blackout period and such expiry is not subject to the discretion of the Board of Directors.

Shareholder approval is required for employee share option plan amendments that concern

a) Any amendment to the number of common shares issuable under the employee share option plan, including an increase in the fixed maximum number of common shares or a change from a fixed maximum number of common shares to a fixed maximum percentage

b) A reduction in the exercise price or purchase price of an option (other than for standard anti-dilution purposes such as in the case of a share split, share consolidation, or a stock dividend) held by or benefiting an insider

c) An increase in the maximum number of common shares that may be issued to insiders within any one year period or that are issuable to insiders at any time

d) An extension of the term of an option held by or benefiting an insider

e) Any change to the definition of “eligible person” in the employee share option plan which would have the potential of broadening or increasing insider participation

f) The addition of any form of financial assistance

g) Any amendment to a financial assistance provision which is more favourable to participants of the employee share option plan

h) The addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the employee share option plan reserve

i) The addition of a deferred or restricted share unit or any other provision which results in participants of the employee share option plan receiving securities while no cash consideration is received by Stantec

j) Any other amendments that may lead to significant or unreasonable dilution in Stantec's outstanding securities or may provide additional benefits to eligible persons in the employee share option plan, especially insiders, at the expense of Stantec and its existing shareholders

The Board of Directors may, without shareholder approval but subject to the receipt of any requisite regulatory approval, including approval from the TSX, be able to make all other amendments that are not of the type listed above including, without limitation, the following

a) Amendments of a housekeeping nature

b) A change to the vesting provisions of an option or the employee share option plan

c) A change to the termination provisions of an option or the employee share option plan which does not entail an extension beyond the original expiry date, except in the case of an extension due to a trading blackout

d) The addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the employee share option plan reserve

INDEBTEDNESS OF ANY DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

Our management is not aware of any

a) Indebtedness outstanding to us or any of our subsidiaries by

b) Guarantees, support agreements, letters of credit, or other similar arrangements provided by us to

any of our directors, executive officers, employees or former directors, executive officers or employees, or any of our subsidiaries, at any time since the commencement of the last completed fiscal year.

EMPLOYMENT CONTRACTS

Anthony P. Franceschini

We have an employment contract with Mr. Franceschini, effective January 1, 2003, which provides that Mr. Franceschini will remain our president and chief executive officer until December 31, 2008. The contract provides for

a) An annual base salary of $375,000

b) An annual bonus of 1.5% of our annual net income before deductions for employee performance bonuses, executive bonuses and taxes

c) Options for our common shares as follows:

Number of Options	Strike Price	Vesting Date	Expiry Date
60,000	$8.05	January 3, 2004	January 3, 2010
60,000	$9.42	January 3, 2005	January 3, 2011
60,000	$10.80	January 3, 2006	January 3, 2012
60,000	$12.17	January 3, 2007	January 3, 2013
60,000	$13.55	January 3, 2008	January 3, 2013

If Mr. Franceschini's employment is terminated without cause, he will receive a lump sum payment of $750,000.

Mr. Franceschini will also receive a $750,000 lump sum payment if he terminates his employment within six months of our undergoing a change of control. A change of control, for this purpose, is defined as a situation where a person acquires more than 50% of our common shares. A change of control also occurs when the nominees of a person holding at least 30% of our common shares are elected as directors and comprise a majority of the Board of Directors.

In all other cases Mr. Franceschini may end his employment after giving three months' notice.

Mr. Franceschini's contract also restricts him from competing with us, soliciting our employees, and soliciting our clients for a period of two years following termination of his employment.

Mark E. Jackson

We have an employment contract with Mr. Jackson. The contract provides Mr. Jackson with a biweekly salary and a discretionary annual bonus. Mr. Jackson's biweekly salary was set at $12,500.25, effective January 1, 2008.

If we terminate Mr. Jackson's employment without cause, we must provide to him the greater of (1) the salary actually earned by him to the date of termination, a termination bonus equal to the annual discretionary bonus last paid to him pro rated for that portion of the year which has elapsed from the last fiscal year end to the date of termination of employment, and a termination payment in the sum of $300,000 or (2) working notice equivalent to one month per year of service to a maximum of 18 months or pay in lieu of such notice (the termination payments). Mr. Jackson will also receive the termination payments if, within six months preceding or two years following a change in control (1) his salary is reduced or (2) his bonus is reduced to less than his last earned bonus. A change of control, for this purpose, would occur when a person acquires more than 50% of our common shares or where the nominees of a person holding at least 30% of our common shares are elected as directors and comprise a majority of the Board of Directors. In all other cases, Mr. Jackson may end his employment after giving us three months' notice.

Mr. Jackson's contract also restricts him from soliciting our employees or clients or performing work for our clients for a period of one year following termination of his employment.

Donald W. Wilson

We have an employment contract with Donald W. Wilson. The contract provides Mr. Wilson with a biweekly salary and a discretionary annual bonus. Mr. Wilson's biweekly salary was set at $12,500.25, effective January 1, 2008.

If we terminate Mr. Wilson‘s employment without cause, we must provide to him the greater of (1) the salary actually earned by him to the date of termination, a termination bonus equal to the annual discretionary bonus last paid to him pro rated for that portion of the year which has elapsed from the last fiscal year end to the date of termination of employment, and a termination payment in the sum of $300,000 or (2) working notice equivalent to one month per year of service to a maximum of 18 months or pay in lieu of such notice (the termination payments). Mr. Wilson will also receive the termination payments if, within six months preceding or two years following a change in control (1) his salary is reduced or (2) his bonus is reduced to less than his last earned bonus. A change of control, for this purpose, would occur when a person acquires more than 50% of our common shares or where the nominees of a person holding at least 30% of our common shares are elected as directors and comprise a majority of the Board of Directors. In all other cases, Mr. Wilson may end his employment after giving us three months’ notice.

Mr. Wilson’s contract also restricts him from soliciting our employees or clients or performing work for our clients for a period of one year following termination of his employment.

Valentino DiManno

We have an employment contract with Mr. DiManno. The contract provides Mr. DiManno with a biweekly salary and a discretionary annual bonus. Mr. DiManno’s biweekly salary was set at $11,538.75, effective January 1, 2008.

If we terminate Mr. DiManno‘s employment without cause, we must provide to him the greater of (1) the salary actually earned by him to the date of termination, a termination bonus equal to the annual discretionary bonus last paid to him pro rated for that portion of the year which has elapsed from the last fiscal year end to the date of termination of employment, and a termination payment in the sum of $300,000 or (2) working notice equivalent to one month per year of service to a maximum of 18 months or pay in lieu of such notice (the termination payments). Mr. DiManno will also receive the termination payments if, within six months preceding or two years following a change in control (1) his salary is reduced or (2) his bonus is reduced to less than his last earned bonus. A change of control, for this purpose, would occur when a person acquires more than 50% of our common shares or where the nominees of a person holding at least 30% of our common shares are elected as directors and comprise a majority of the Board of Directors. In all other cases, Mr. DiManno may end his employment after giving us three months’ notice.

Mr. DiManno’s contract also restricts him from soliciting our employees or clients or performing work for our clients for a period of one year following termination of his employment.

Jeffery Kishel

We have an employment contract with Mr. Kishel. The contract provides Mr. Kishel with a biweekly salary and a discretionary annual bonus. Mr. Kishel’s biweekly salary was set at US$11,538.40, effective January 1, 2008.

If we terminate Mr. Kishel‘s employment without cause, we must provide to him the greater of (1) the salary actually earned by him to the date of termination, a termination bonus equal to the annual discretionary bonus last paid to him pro rated for that portion of the year which has elapsed from the last fiscal year end to the date of termination of employment, and a termination payment in the sum of $300,000 or (2) working notice equivalent to one month per year of service to a maximum of 18 months or pay in lieu of such notice (the termination payments). Mr. Kishel will also receive the termination payments if, within six months preceding or two

years following a change in control (1) his salary is reduced or (2) his bonus is reduced to less than his last earned bonus. A change of control, for this purpose, would occur when a person acquires more than 50% of our common shares or where the nominees of a person holding at least 30% of our common shares are elected as directors and comprise a majority of the Board of Directors. In all other cases, Mr. Kishel may end his employment after giving us three months' notice.

Mr. Kishel's contract also restricts him from soliciting our employees or clients or performing work for our clients for a period of one year following termination of his employment.

REPORT ON EXECUTIVE COMPENSATION

Composition of Corporate Governance and Compensation Committee

As described above, the Corporate Governance and Compensation Committee is currently comprised of Robert J. Bradshaw, William D. Grace and Susan E. Hartman, none of whom are officers, or former officers, of Stantec.

Compensation Philosophy

Our executive compensation program is designed to link executive compensation to corporate performance. A successful program should ensure that executives are motivated to achieve key corporate goals by appropriately rewarding them for generating outstanding business results and contributing exceptionally to our leadership and management. We feel that our compensation philosophy attracts, retains, and motivates top executives who will contribute to our long-term success.

The base salary for each executive officer is determined by the position's responsibility, the position's importance to us, and industry standards. Base salaries for executives other than the chief executive officer are intended to provide a base level of compensation at the low end of the range for comparable positions. The amount of money available for executive bonuses is determined annually by the Corporate Governance and Compensation Committee and depends on our annual income before deductions for the chief executive officer's bonus, employee performance bonuses, executive bonuses, and taxes. Annual bonuses for executive officers, other than Mr. Franceschini, are discretionary and include a number of factors, including individual performance and corporate performance. Recommendations regarding bonuses for executive officers are made by the chief executive officer to the Corporate Governance and Compensation Committee for consideration. The Committee, upon reaching a recommendation, in turn presents it to the board for approval. There are no set weights for each factor and factor weights may vary from year to year. In 2007, bonuses ranged from 151% to 506% of base salary for the named executive officers.

We also have an employee share option plan to provide long-term incentive to key employees, including executive officers. The employee share option plan is intended to

1. Align the interests of employees and shareholders
2. Contribute to the growth of shareholder value
3. Constantly improve operating results
4. Retain key employees
5. Encourage key employees to become our shareholders

Key employees are granted options to purchase shares at the Board of Directors' discretion with the advice of the Corporate Governance and Compensation Committee. In making its decision to award share options, the Board of Directors considers the following criteria:

- The employee's ability to contribute to our long-term success
- The value of recognizing employees who may influence our future success
- The amount and terms of any existing options which have been issued to that employee
- The recommendation of the chief executive officer
- Such other factors as the Board of Directors feels are relevant with respect to any individual key employee

We have no defined benefit corporate pension plans or supplemental pension plans for executives.

Compensation of the Chief Executive Officer

Mr. Franceschini's compensation is determined according to his January 1, 2003, employment contract (see EMPLOYMENT CONTRACTS above). Mr. Franceschini's compensation is comprised of a base salary, an annual incentive bonus, and share options. There are no other components to his compensation.

Because there are limited direct comparables for the chief executive officer position, Mr. Franceschini's base salary was negotiated based on his overall experience, responsibility, and performance. His annual incentive bonus is tied solely to corporate performance and is a predetermined percentage of profit of our Company. His share options, issued according to our employee share option plan, are a long-term incentive tied directly to the creation of shareholder value.

The Board of Directors believes that the overall chief executive officer compensation package is appropriate as it substantially incorporates short-term financial performance (annual incentive bonuses) as well as long-term financial performance (share options).

During 2007, Mr. Franceschini's compensation was allocated as follows (based on the terms of his employment agreement):

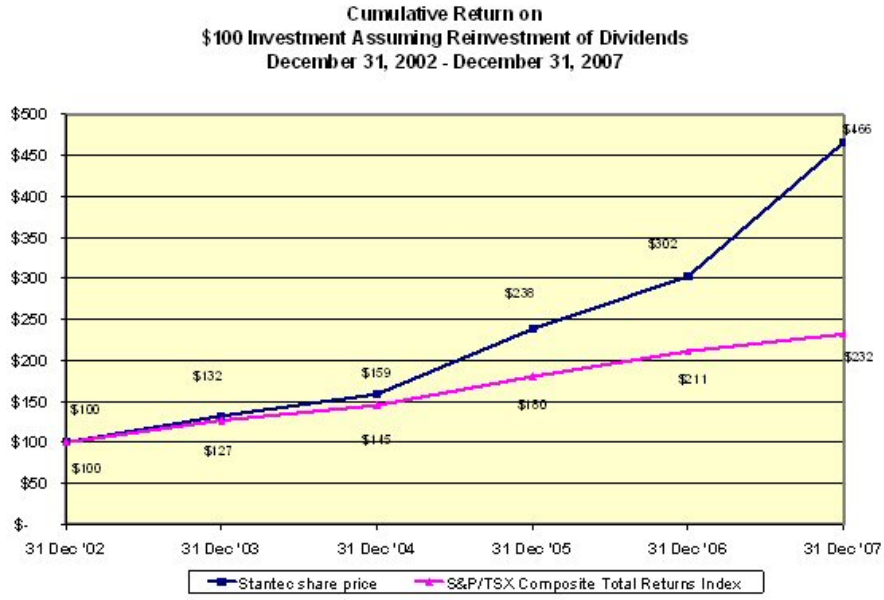
- Base Salary: 17%
- Annual Bonus: 83%

Submitted on behalf of the
Corporate Governance and Compensation Committee

Robert J. Bradshaw, Chairman
William D. Grace
Susan E. Hartman

PERFORMANCE GRAPH

The following graph compares the total shareholder return for $100 invested in our common shares on December 31, 2002 against the total return of the S&P/TSX Composite Index over the same period.



DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

We carry a directors' and officers' liability insurance policy with a maximum coverage of US$45,000,000 a year and a US$500,000 per claim deductible. Under this policy, we are reimbursed for paying directors and officers as required, permitted by law, or permitted by our by-laws when claims are made against a director or officer for an alleged or actual wrong committed by him/her during the course of his/her duties to us. Coverage also applies, with no deductible, to a director or officer where we do not indemnify them. There are certain exclusions, including bodily injury, property damage, and for acts resulting in personal advantage to which the director or officer was not legally entitled. Some exclusions are covered under other insurance policies. The coverage is in effect from May 1, 2007, to May 1, 2008, and its total premium is US$533,750.

2008 SHAREHOLDER PROPOSALS

Shareholder proposals must be submitted no later than December 14, 2008, to be considered for inclusion in next year's Management Information Circular for the purposes of Stantec's 2009 annual shareholder meeting.

ADDITIONAL INFORMATION

Additional information relating to us is available on SEDAR at www.sedar.com.

Any person may request and receive the following from our corporate secretary

a) One copy of our Annual Information Form and one copy of documentation containing information referenced by the Annual Information Form

b) One copy of our comparative financial statements for the most recently completed financial year, the accompanying auditor's report, and one copy of any interim financial statements created after the latest annual financial statements

c) One copy of our most recent Management Information Circular in respect of the most recent annual shareholder meeting that involved the election of directors

We may require a non-shareholder to pay a reasonable charge for the material requested.

Financial information about our financial year ended December 31, 2007, and comparative information for the year ended December 31, 2006, is contained in our financial statements and management's discussion and analysis, both of which can be found in our annual report.

DIRECTORS' APPROVAL

Our Board of Directors has approved the contents of this circular and the distribution of the circular to our shareholders.



Jeffrey S. Lloyd
Vice President, Secretary and General Counsel
March 14, 2008

SCHEDULE "A"

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

We understand the importance of sound corporate governance practices. We aspire to uphold high standards of corporate governance throughout our organization. These high standards reflect not only legal and regulatory requirements of corporate governance but also existing and emerging practices. As a Canadian reporting issuer on the TSX and the NYSE, our corporate governance practices meet, and in some cases exceed, legal and regulatory requirements.

Board of Directors

Our Board of Directors presently includes eight members, six of whom are unrelated to Stantec, independent of its management and free from any interest or relationship that could materially interfere with their ability to act in our best interests and those of our shareholders. The six independent directors are Ronald Triffo, Robert J. Bradshaw, William D. Grace, Susan E. Hartman, Robert R. Mesel, and Ivor M. Ruste.

Anthony P. Franceschini, as president and chief executive officer, is a member of management of Stantec and is therefore not an independent Board of Directors' member. In addition, Aram H. Keith, while not a member of management of Stantec, is not considered to be an independent director by virtue of the fact that until September 15, 2005, he served as the chief executive officer of The Keith Companies, Inc., a company acquired by Stantec.

The independent directors meet in executive session at least two times per year, with the two non-independent directors being excluded. The format of these meetings includes a discussion with the chief executive officer on each occasion. For our fiscal 2007, the independent directors met on six separate occasions.

Ronald Triffo is chairman of our Board of Directors. Mr. Triffo is an independent director. For a description of the role and responsibilities of the chairman, please refer to the description of Chairman set forth below under position descriptions. In addition, we refer you to Mr. Triffo's biography on page 14 of this information circular.

Additional information relating to each director standing for nomination, including other public company boards on which they serve as well as their attendance record for all Board of Directors' and committee meetings during our fiscal year ended 2007, can be found on pages 15 through 17 of this information circular.

Board of Directors' Mandate

The Board of Directors is responsible for our stewardship. In executing this role, the Board of Directors shall oversee the conduct, direction, and results of the business. In turn, management is mandated to conduct our day-to-day business and affairs and is responsible for implementing the Board of Directors' strategies, goals, and directions. The Board of Directors and its members shall at all times act in our best interests and its actions shall reflect its responsibility of establishing proper business practices and appropriate ethical standards expected of Stantec.

In discharging the Board of Directors' stewardship obligations, the following are six specific principal responsibilities of the Board of Directors

1. *Integrity of Chief Executive Officer and other Executive Officers*

The Board of Directors assesses the integrity of the chief executive officer and other executive officers through regular interaction at Board of Directors' and committee meetings and through ongoing interaction. In addition, the Board of Directors satisfies itself that the chief executive officer and other executive officers are creating a culture of integrity throughout Stantec by reviewing annually with the chief executive officer and executive officers what policies and procedures are in place to create a culture of integrity.

2. *Adoption of a Corporate Strategic Planning Process*

It is the responsibility of the Board of Directors to ensure that we have appropriate short and long-term goals and have implemented a strategic planning process. In identifying and adopting short and long-term goals and a strategic planning process, the Board of Directors shall look to our management, and particularly the chief executive officer, for leadership. In addition to ensuring a strategic planning process is in place, the Board of Directors should assist in the process by maintaining open communication lines with management both directly and through the chief executive officer, providing objectivity to plans, and adding its collective experienced judgement to the strategic planning process. Finally, the Board of Directors must approve our strategies as they evolve and as they may change. In this context, the Board of Directors must be responsible for monitoring management's success in implementing and modifying its strategies as may be required.

3. *Managing Risks and Protecting Shareholder Value*

The Board of Directors shall be responsible to ensure that proper procedures are established for the protection of shareholder value. The Board of Directors is expected to adequately scrutinize material programs and approve material capital expenditures, acquisitions, and divestitures.

Members of the Board of Directors are responsible for and must be expected to understand the principal risks associated with our business. In this regard, the Board of Directors must rely upon our management to identify and monitor risks on a day-to-day basis; however, the Board of Directors must ensure that there are adequate systems in place which effectively monitor and manage the risks of the business to ensure our long-term viability. It is acknowledged and understood that all business decisions involve balancing risks with reward and benefit, and hence any material business actions must balance the potential return against the potential damage to shareholders.

4. *Appointing, Developing and Monitoring Senior Management (Succession Planning)*

The Board of Directors implements its corporate strategies and resolutions through delegation to management. In turn, management must inform and communicate properly with the Board of Directors and in accordance with the Board of Directors' stated goals and objectives. As a result, the Board of Directors must ensure that it has retained a management of appropriate calibre, particularly in the role of the chief executive officer. The Board of Directors must implement systems to assess the performance of its senior management, particularly that of the chief executive officer, against objectives established by the Board of Directors. To the extent there are mechanisms which may assist the appointment, development, and assessment of management, the Board of Directors should be satisfied that such systems are in place and that an orderly succession of senior management can be facilitated.

5. Communications Policy

The Board of Directors shall ensure that we have a policy in place to enable us to communicate effectively with shareholders, other stakeholders, and the public generally, including the capital markets. Our communications policy must effectively relate our operations to shareholders and should facilitate open communication with shareholders. The chief executive officer will be directly responsible for approving the issuance of any material communications to shareholders.

6. Internal Corporate Controls and Management Information Systems

The Board of Directors shall ensure there are control and information systems in place to ensure the effective discharge of its responsibilities hereunder and in law. In particular, the Board of Directors will ensure we have (a) an audit system and internal controls which verify the integrity of the financial data and the compliance of financial information with appropriate accounting principles, (b) adequate environmental information, controls, and reporting systems, and (c) systems for monitoring and evaluating the implementation of corporate strategy and material corporate decisions.

The Board of Directors at large is responsible for its approach to corporate governance issues. In considering these issues and in assessing the effectiveness of the Board of Directors and its committees and the contribution of each individual director, the Board of Directors will seek the assistance and advice of the Corporate Governance and Compensation Committee.

Position Descriptions

The Board of Directors has developed position descriptions for the chief executive officer, Board of Directors' chairman, vice-chairman, the chairman of the Corporate Governance and Compensation Committee, and the chairman of the Audit Committee. Such position descriptions are as follows:

Chief Executive Officer Position Description

Appointment

The Board of Directors shall appoint the chief executive officer on terms and conditions that it considers appropriate.

Reporting and Review

The chief executive officer shall report to the Board of Directors. The Board of Directors shall review the chief executive officer's performance on an annual basis.

Duties and Responsibilities

The chief executive officer shall have full responsibility for the day-to-day operation of our business in accordance with our strategic plan and budgets as previously approved by the Board of Directors. In discharging this responsibility, and subject always to the oversight of the Board of Directors, the chief executive officer shall

- Foster a corporate culture that promotes ethical practices and encourages individual integrity
- Work with the chairman of the Board of Directors to ensure the Board of Directors is provided with all information and access to management necessary to allow it to fulfill its statutory, governance, and other obligations in a timely manner
- Fully apprise the Board of Directors of all matters that are material to directors and alert the chairman in a timely manner of any material changes or events that may impact our risk profile, financial affairs, or performance
- Together with the chairman, develop and recommend to the Board of Directors a long-term strategy and vision for us that leads to enhancement of shareholder value
- Develop and recommend to the Board of Directors annual business plans and budgets that support our long-term strategy
- Consistently strive to achieve our financial and operating goals and objectives
- Promote continuous improvement in the quality and value of our services
- Seek to secure and maintain a competitive position for us within our industry
- Ensure that we have an effective management team below the level of chief executive officer with an active plan for management development and succession
- Implement policies and processes to ensure the integrity of our internal controls, management information, and financial reporting
- Serve as the spokesperson for us and oversee communication between us and our shareholders, the investment community, media, governments and their agencies, employees, and the general public

Chairman

The prime responsibility of the chairman of the Board of Directors is to provide leadership to the Board of Directors to enhance Board of Directors' effectiveness. The Board of Directors has ultimate accountability for supervision of our management. Critical to meeting this accountability is the relationship between the Board of Directors, management, shareholders, and other stakeholders. The chairman, as the presiding member, must ensure that these relationships are effective and efficient and further our best interests.

The chairman shall

- Chair all meetings of the Board of Directors
- Oversee the Board of Directors' discharge of its duties assigned to it by law, in the constating documents of Stantec and the Corporate Governance Guidelines

- Together with the chief executive officer, represent us to employees, shareholders, and other stakeholders
- Develop a good working relationship between the office of the chairman, the president and chief executive officer, and the Board of Directors to assure open communications, cooperation, interdependence, mutual trust, respect, and commonality of purpose
- Take steps to foster the Board of Directors' understanding of its responsibilities and boundaries with management
- Establish procedures to govern the effective and efficient conduct of the Board of Directors' work
- Establish the agenda for and preside at all meetings of the Board of Directors and annual and special meetings of shareholders
- Oversee the distribution of information to the Board of Directors in a manageable form, sufficiently in advance of the meeting
- Oversee the functions delegated to the committees and monitor the committees' work to see that these functions are carried out and results are reported to the Board of Directors
- Carry out other duties as requested by the Board of Directors

Vice-Chairman

The prime responsibility of the vice-chairman of the Board of Directors is to support the chairman of the Board of Directors in fulfilling his duties, and acting as a spokesperson for the Company as requested by the chairman or the president and chief executive officer.

The vice-chairman shall

- Attend all meetings of the Board of Directors
- Serve as a spokesperson for the Corporation as requested by the chairman of the Board of Directors or the president and chief executive officer
- Carry out special assignments as requested by the Chairman
- Participate as a vital part of the Board of Directors leadership
- Perform other responsibilities as assigned by the Board of Directors

Corporate Governance and Compensation Committee Chairman

The prime responsibility of the chairman of the Corporate Governance and Compensation Committee is to provide leadership to the Corporate Governance and Compensation Committee to ensure its effectiveness. Critical to meeting this accountability is ensuring that we have in place an appropriate and effective system of corporate governance.

The chairman of the Corporate Governance and Compensation Committee shall

- Set the tone for the Corporate Governance and Compensation Committee work
- Set the agenda and chair Corporate Governance and Compensation Committee meetings and ensure distribution of meeting minutes
- Oversee the logistics of the committee's operations and ensure compliance with the Corporate Governance and Compensation Committee Terms of Reference
- Report to the full Board of Directors on the Corporate Governance and Compensation Committee's decisions and recommendations
- Chair the meetings of the Board of Directors in the absence of the chairman of the Board of Directors

Audit Committee Chairman

The prime responsibility of the chairman of the Audit Committee is to provide leadership to the Audit Committee to enhance its effectiveness. Critical to meeting this accountability is the relationship between the Audit Committee, management, and the external auditors. The chairman of the Audit Committee must ensure that these relationships are effective and efficient and further our best interests.

The chairman of the Audit Committee shall

- Set the tone for the Audit Committee work
- Set the agenda and chair Audit Committee meetings, and ensure distribution of meeting minutes
- Oversee the logistics of the committee's operations and ensure compliance with the Audit Committee Terms of Reference
- Report to the full Board of Directors on the Audit Committee's decisions and recommendations

Orientation and Continuing Education

The Board of Directors ensures that all new directors receive a comprehensive orientation so that new directors can understand the role of the Board of Directors and its committees, their individual roles and expectations, and the nature of our business. In fact, new directors are provided with an orientation and education program that includes materials from recent Board of Directors' and committee meetings as well as written information about their duties and obligations as directors. Meetings are scheduled with new directors and members of senior management. New directors are also provided with a comprehensive director's orientation manual.

Each director assumes responsibility for keeping informed about our business and developments in the industry. Management assists directors by providing them with updates on developments in various geographical areas in which we are active, communication from the chief executive officer to employees, and such other information management considers to be of interest to the Board of Directors.

In conjunction with Board of Directors' meetings, directors regularly take part in tours of our offices.

Ethical Business Conduct

The Board of Directors has adopted a code of ethics (the Code), which is our comprehensive code of business conduct and ethics, which provides a framework for directors, officers, and employees on the conduct and ethical decision-making integral to their work. The Board of Directors, through its Corporate Governance and Compensation Committee, reviews the operation of the code and any waivers thereof. The code 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 is available on our website at www.stantec.com and on SEDAR at www.sedar.com.

The Board of Directors has also adopted whistleblower procedures which allow officers and employees who feel that a violation of the Code has occurred to report this violation on a confidential and anonymous basis. The procedures allow concerns regarding accounting, internal accounting controls, or auditing matters to be reported on a confidential and anonymous basis as well.

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 fosters a culture of ethical conduct within Stantec. To review our whistleblower procedures, please visit our website at www.stantec.com.

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.

Nomination of Directors

The Corporate Governance and Compensation Committee, composed entirely of independent directors, is responsible for identifying and recommending to the Board of Directors suitable director candidates. As part of the process, the committee considers what competencies and skills the Board of Directors, as a whole, should possess, assesses the skill sets of current Board of Directors' members and identifies any additional skill sets deemed to be beneficial when considering Board of Directors' candidates in light of the opportunities and risks facing Stantec. The committee may engage outside advisors to assist in identifying qualified candidates. Potential candidates are screened to ensure that they have the attributes of integrity and accountability, the ability to think strategically, financial literacy, excellent communication skills, and the ability to work effectively as a team. These skills and attributes are necessary in order to execute their duties and responsibilities. The committee also considers the positions held with other organizations and the other business and personal commitments of prospective director candidates to determine whether they would be able to fulfill their duties as Board of Directors' members.

Compensation

The Corporate Governance and Compensation Committee annually reviews directors' compensation to ensure it is competitive and consistent with the responsibilities and risks involved in being an effective director. Details of directors' compensation are disclosed on pages 18 to 20 of this Information Circular. Effective with fiscal 2004, the granting of options to directors under our employee share option plan was discontinued.

The Corporate Governance and Compensation Committee, composed entirely of independent directors, is responsible for annually reviewing and recommending to the full Board of Directors the compensation for the president, chief executive officer and other senior executives. Details of executive compensation are disclosed on pages 20 to 25 of this information circular, and the Report on Executive Compensation, which includes a description of the process undertaken to determine executive compensation, is found on pages 28 to 29.

The Corporate Governance and Compensation Committee has the authority to retain consulting firms to assist in carrying out the committee's responsibilities, including determining the compensation of the president and chief executive officer and other executives.

Assessments

The Corporate Governance and Compensation Committee is responsible to provide annually to the Board of Directors an assessment of the Board of Directors' performance. This assessment is discussed with the full Board of Directors. This is done following the end of each fiscal year and at the same time as the report on Board of Directors' membership criteria.

This assessment is of the Board of Directors' contribution as a whole and specifically reviews areas in which the Board of Directors and/or the management believes a better contribution could be made. Its purpose is to increase the effectiveness of the Board of Directors, not to target individual Board of Directors' members.

Communications Policy

We are committed to providing timely, accurate, and balanced disclosure of material information about our Company, consistent with legal and regulatory requirements. Materiality is determined by the importance of an event or information in influencing an investor's decision with respect to the purchase or sale of our shares. We will disclose both positive and negative information on a timely basis, except when confidentiality issues require a delay in accordance with the rules of the TSX, the NYSE, and applicable securities commissions.

We have established a Disclosure Committee to support the chief executive officer and the chief financial officer in identifying material information and determining how and when to disclose that information and to ensure that all material disclosures are made in compliance with relevant securities legislation. This is not a standing committee of the Board of Directors and is comprised of a representative group of corporate and operational leadership.

The Disclosure Committee will meet prior to the release of our regular quarterly and annual disclosure documents. The committee also will meet as required to review and evaluate other

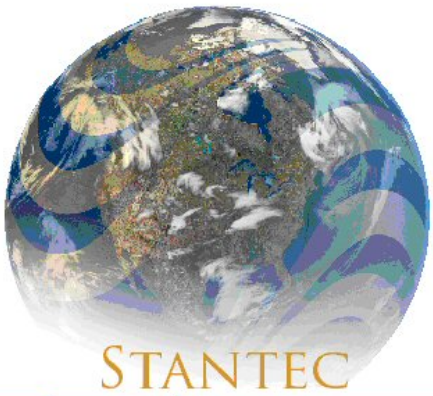
disclosures, potential disclosures, or upon request of the chief executive officer or chief financial officer.

Compliance with NYSE Standards

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 are summarized below:

- Section 303A.07(d) of the NYSE's Listed Company Manual requires each listed company to have an internal audit function. Canadian law and the rules of the TSX do not require us to have an internal audit function; however, effective November 1, 2007, we implemented an internal audit function.

- Section 303A.08 of the NYSE's Listed Company Manual requires shareholder approval of all equity compensation plans and material revisions. The definition of equity compensation plans under the NYSE rules covers plans that provide for the delivery of newly issued securities, as well as plans which rely on securities reacquired on the market by the issuing company for the purpose of redistribution to employees and directors. The TSX rules require shareholder approval of security based compensation arrangements only in respect of arrangements which involve the delivery of newly issued securities. The TSX rules require shareholder approval of security-based compensation plans when they are first introduced and thereafter (a) every three years in respect of all unallocated options, rights, or other entitlements under an arrangement with a rolling percentage maximum or (b) at the time and in respect of any amendment to such arrangements (unless the amendment relates to an arrangement previously approved by shareholders and which includes specific authority for certain TSX-specified types of amendments. Stock purchase plans where securities are purchased in the public market and no financial assistance or discount is provided by the Company for the purchase of securities are not subject to the shareholder approval requirement under the TSX rules; however, shareholder approval would be required under the NYSE's rules. We comply with the rules of the TSX.



STANTEC

ANNUAL INFORMATION FORM

MARCH 27, 2008

TSX STN
NYSE SXC

Stantec

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APPENDIX I **35**

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 law. 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 included in this annual information form (including documents incorporated by reference) and may be included in filings with Canadian and US securities regulators or in other communications. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives for 2008 and beyond, our strategies or future actions, our targets, our expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian or US economies.

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 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 in 2008 of the Canadian and US economies and how this performance 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, 2007, filed on www.sedar.com and incorporated by reference.

In addition to the factors set out in the section below, the following factors, among others, could cause our actual results to differ materially from those projected in forward-looking statements:

- Global capital market activities
- Interest rate and currency value fluctuations
- Our ability to execute our strategic plans or to complete or integrate acquisitions
- Critical accounting estimates
- 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 and communications
- Power or water supply disruptions
- Industry and worldwide economic and political conditions
- Regulatory and statutory developments
- The effects of competition in the geographic and business areas in which we operate
- Management actions
- Technological changes

We caution that the foregoing list is not exhaustive of all possible factors and that other factors 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 March 27, 2008, 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 the organization or on its behalf.

CORPORATE STRUCTURE

Name, Address, and Incorporation

Stantec Inc. was incorporated under the Canada Business Corporations Act on March 23, 1984, as 131277 Canada Ltd. Our Articles of Incorporation have been amended 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.

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, 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, 2007, the intercorporate relationships among Stantec and Stantec's subsidiaries, the jurisdiction of incorporation of the companies, and the percentage of voting and restricted securities held by Stantec:

STANTEC INC.

SUBSIDIARY	PERCENTAGE OF VOTING SHARES	PERCENTAGE OF RESTRICTED SHARES*	JURISDICTION OF INCORPORATION
659243 B.C. Ltd.	100	n/a	British Columbia
0714993 B.C. Ltd.	100	n/a	British Columbia
0715004 B.C. Ltd.	100	n/a	British Columbia
0715007 B.C. Ltd.	100	n/a	British Columbia
1208023 Alberta ULC	100	n/a	Alberta

SUBSIDIARY	PERCENTAGE OF VOTING SHARES	PERCENTAGE OF RESTRICTED SHARES*	JURISDICTION OF INCORPORATION
3102452 Nova Scotia Company	100	n/a	Nova Scotia
3221969 Nova Scotia Company [1]	100	100	Nova Scotia
ACCENT Engineering Consultants Incorporated [2]	40	n/a	Nova Scotia
Amerex International, Inc.	100	n/a	British Virgin Islands
APAI Architecture Inc.	100	n/a	British Columbia
Architectura Inc.	0 [3]	100	Alberta
Brentcliffe Financial Services Inc. [4]	100	n/a	Ontario
BVE Development, LLC [5]	100	n/a	Pennsylvania
Coleson Power Group Inc. [2]	50	n/a	New Brunswick
CPV Architects & Engineers Ltd.	100	n/a	British Columbia
Dekko Studio Inc. [4]	100	n/a	Ontario
FaulknerBrowns Chong Partners LLP [6]	50	n/a	Great Britain
FFEB JV, L.L.C. [7]	30	n/a	Delaware
Flood Protection Center, LLC [7]	100	n/a	Kentucky
Fuller, Mossbarger, Scott & May Engineers, Inc. [7]	100	n/a	Kentucky
GKO Power Engineering Ltd.	100	n/a	Alberta
International Insurance Group Inc.	100	n/a	Barbados
I-Tech Group LLC [5]	100	n/a	New York
J. Muller International • Stanley Joint Venture Inc.	30	n/a	New Brunswick
Leestown Leasing, LLC [7]	100	n/a	Kentucky
Murphy Hilgers Architects Inc. [4]	100	n/a	Ontario
NG Projects Inc. [2]	100	n/a	Nova Scotia
Pentacore ADA Consulting, LLC	100	n/a	Nevada
Planning & Stantec Limited	51	n/a	Trinidad and Tobago
Project Delivery Holdings LLC	100	n/a	New York

SUBSIDIARY	PERCENTAGE OF VOTING SHARES	PERCENTAGE OF RESTRICTED SHARES*	JURISDICTION OF INCORPORATION
RiverMorph, LLC[7]	100	n/a	Kentucky
SEA, Incorporated	100	100	Nevada
SSBV Consultants Inc.	33 1/3	n/a	British Columbia
Stantec Architecture Inc.	0[3]	n/a	North Carolina
Stantec Architecture Ltd.	0[3]	n/a	Canada
Stantec Consulting Associates P.C.	0[3]	n/a	New York
Stantec Consulting Caribbean Ltd.	100	n/a	Barbados
Stantec Consulting Inc.	100	100	Arizona
Stantec Consulting International Ltd.	100	100	Canada
Stantec Consulting Ltd.	100	n/a	Canada
Stantec Consulting Massachusetts P.C.	0[3]	n/a	Massachusetts
Stantec Consulting Michigan Inc.	100	n/a	Michigan
Stantec Consulting Services Inc.	100	100	New York
Stantec Delaware LLC[8]	100	n/a	Delaware
Stantec Delaware II LLC[9]	100	n/a	Delaware
Stantec Engineering (Puerto Rico) P.S.C.	0[3]	n/a	Puerto Rico
Stantec Facilities Ltd.	100	n/a	Alberta
Stantec Geomatics Ltd.	50[3]	100	Alberta
Stantec Holdings (Delaware) III Inc.	100	100	Delaware
Stantec Holdings Ltd.	100	100	Alberta
Stantec Holdings II Ltd.[10]	100	n/a	Alberta
Stantec International Enterprises Limited	100	100	Bahamas
Stantec International Limited	100	n/a	Barbados
Stantec Planning and Landscape Architecture, P.C.[11]	0[3]	n/a	Maine

SUBSIDIARY	PERCENTAGE OF VOTING SHARES	PERCENTAGE OF RESTRICTED SHARES*	JURISDICTION OF INCORPORATION
Stantec Technology International Inc.	100	100	Delaware
Teshmont Consultants Inc.	50	n/a	Canada
UEI Associates, Inc.	100	n/a	Texas
UEI Global I, Inc.	100	n/a	Texas
Universal Energy do Brasil Ltda.	100	n/a	Brazil

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

1 Incorporated on August 30, 2007.
2 Acquired as part of the acquisition of the Neill and Gunter companies. See the General Development of the Business section below and the acquisition section of the Description of the Business on page 13.
3 Stantec has entered into an agreement with respect to 100% of the voting shares of this corporation that allows it to direct control over any disposition of the voting shares of this corporation.
4 Acquired as part of the acquisition of Murphy Hilgers Architects Inc. See the General Development of the Business section below and the acquisition section of the Description of the Business on page 13.
5 Acquired as part of the acquisition of Vollmer Associates LLP. See the General Development of the Business section below and the acquisition section of the Description of the Business on page 13.
6 Acquired as part of the acquisition of Chong Partners Architecture, Inc. See the General Development of the Business section below and the acquisition section of the Description of the Business on page 13.
7 Acquired as part of the acquisition of Fuller, Mossbarger, Scott & May Engineers, Inc. See the General Development of the Business section below and the acquisition section of the Description of the Business on page 13.
8 Incorporated on March 20, 2007.
9 Incorporated on August 30, 2007.
10 Incorporated on August 29, 2007.
11 Incorporated on February 8, 2007.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

Since our initial public offering in 1994, we have acquired a number of firms in Canada and the United States. The acquisitions completed in 2007 are as follows:

March 2007	Nicolson Tamaki Architects Inc.
April 2007	Vollmer Associates LLP
	Land Use Consultants, Inc.
May 2007	Geller DeVellis Inc.
August 2007	Trico Engineering Consultants, Inc.
September 2007	Chong Partners Architecture, Inc.
October 2007	Woodlot Alternatives, Inc.
	Neill and Gunter Incorporated
	Neill and Gunter Limited
	Neill and Gunter (Nova Scotia) Limited
November 2007	Moore Paterson Architects Inc.
	Murphy Hilgers Architects Inc./Brentcliffe Financial Services
December 2007	Inc./Dekko Studio Inc.
	Fuller, Mossbarger, Scott & May Engineers, Inc. (FMSM)
	and Leestown Leasing, L.L.C.

On February 21, 2007, Ivor M. Ruste was appointed to our Board of Directors. Mark E. Jackson was appointed as senior vice president and chief operating officer on May 3, 2007. E. John (Jack) Finn stepped down from the Board of Directors at the May 3, 2007, annual meeting.

During 2007, we completed 11 acquisitions (see Description of the Business - Acquisitions for more information).

Effective May 17, 2006, we subdivided our shares on a two-for-one basis. During 2006, we completed three acquisitions as described in Description of Business - Acquisitions.

On August 5, 2005, we began trading on the New York Stock Exchange (NYSE) under the symbol SXC. In September 2005, we realigned our organizational structure to address succession planning, provide the foundation for future growth, and incorporate new staff who joined us with the acquisition of The Keith Companies, Inc. (see the Description of the Business section for more information).

We also saw a change in our Board of Directors in November 2005 with the resignation of Neilson A. “Dutch” Bertholf, Jr. and the appointment of Aram H. Keith. Mr. Keith was also appointed vice chairman of the Board of Directors at that time. During 2005, we completed three acquisitions (see Description of the Business - Acquisitions for more information). We also sold our interest in The Spink Corporation, which, at the time of sale, operated our Sacramento-based land survey operations only, and divested our operations in Columbia, South Carolina, and Melville, New York.

Current Trends

We compete in the professional consulting services industry. This industry, which includes engineering, architecture, and environmental sciences consulting, is highly fragmented. We believe that industry trends continue to create acquisition opportunities. Our goal is to continue to increase our size and profitability. This goal will be accomplished partly through the acquisition of established professional consulting firms in Canada, the United States, and internationally. Our principal acquisition focus is in selected regions of the United States and Canada.

DESCRIPTION OF THE BUSINESS

We provide professional consulting services in planning, engineering, architecture, interior design, landscape architecture, surveying and geomatics, environmental sciences, project management, and project economics for infrastructure and facilities projects. For the requirements of generally accepted accounting principles in Canada and the United States, we have one reportable segment—Consulting Services.

We use a three-dimensional business model, illustrated as follows, which is built on (1) geographic diversification, (2) practice area specialization, 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.



We provide services to clients in both the public and private sectors mainly in North America through integrated and discipline-specific consulting and project delivery. Our organization structure gives us both the strength and diversity of a large organization and a strong regional presence to deliver our services locally. Our Consulting Services business unit focuses on providing total infrastructure solutions targeted to five practice areas—Buildings, Environment, Industrial, Transportation, and Urban Land.

Business Units

Consulting Services is our principal focus, and we currently operate in three geographic regions: Canada, the US West, and the US East. Affiliated companies, which account for less than 1% of our revenue, fall within the responsibilities of regional management or with the corporate administration group. We balance our geographic structure and management by also aligning services and management in the five practice areas noted above.

In 2003, we realigned our organizational units to better reflect our balanced regional focus and practice area specialization. The two largest and most mature regional operating units, Canada West and Canada Central, were further divided into smaller subregions. In 2005, the regional operating units were reduced from five to three: Canada, the US East, and the US West. At present, our Canada region includes the subregions of British Columbia, BC Vancouver, Alberta North & Central, Alberta Edmonton Capital Region, Alberta South, Saskatchewan, Manitoba, Ontario West, Ontario GTA (Greater Toronto Area), Ontario East, and Atlantic. Our US East region includes the New England, Great Lakes, Tri-State, Mid-Atlantic, South, and Southeast subregions, and our US West region includes the California South, California Central, California North, Desert, Mountain, and Pacific Northwest subregions.

The five practice areas consist of 15 distinct specialist practice areas, including the following:

1. Architecture
2. Buildings Engineering
3. Program & Project Management
4. Environmental Infrastructure
5. Environmental Management
6. Environmental Remediation
7. Geotechnical Engineering
8. Bio/Pharmaceuticals

9. Manufacturing
10. Power
11. Resources
12. Transportation
13. Planning & Landscape Architecture
14. Urban Land Engineering
15. Surveys/Geomatics

The business units are managed using a matrix organization structure, which balances regional operations with Company-wide practice area service delivery.

The following chart illustrates the breakdown of gross revenue for 2007 and 2006 for Consulting Services:

Units	2007 (C$000)	%	2006 (C$000)	%
Consulting Services	$954,619	100%	$816,133	100%

We provide consulting services in eight provinces in Canada, 33 states in the United States, as well as Puerto Rico and other selected international markets. International projects generally have been in the water supply, wastewater treatment, environmental protection, transportation, airports, and health care sectors, often in countries with developing economies.

Our staff and system capabilities allow us to undertake infrastructure and facilities projects of any size. Joint ventures, associations, or subcontract arrangements are often established to deal with larger projects. As a result, we mitigate our overall risk by working on several thousand projects each year, none of which would normally exceed 5% of our revenue.

Our core capabilities in the Consulting Services area are provided through 15 specialist practice areas, most of which can generally be grouped into five broad practice areas: Buildings, Environment, Industrial, Transportation, and Urban Land. Some specialist practice areas, such as Program & Project Management, are offered in all five practice areas.

Buildings Practice Area

We provide comprehensive solutions for the design of buildings. Typical projects include hospitals, educational and recreational facilities, research and technology facilities, airports, office buildings, and commercial centers. Services are delivered through two specialist practice areas: Architecture and Buildings Engineering. Our services cover the full range of design and planning activities from the preconception to the postcompletion of projects and include project/and program definition, facilities planning, architectural design, interior design, and structural, mechanical, electrical, and acoustical engineering. Our projects include new buildings and renovations and expansions to existing structures. In addition, for existing buildings and facilities, we provide expertise in building operating systems, performance engineering, and ongoing tenant improvements. Our clients use us for our sustainable design expertise and for our ability to maximize the efficiency of a building's existing systems and improve its air quality, lighting, and energy efficiency.

Our clients in the Buildings practice area include private, institutional, and commercial building owners and multinational firms, as well as government agencies and independent authorities, such as airport authorities, transportation commissions, health authorities, and transit systems, that build, administer, and operate public buildings.

Environment Practice Area

We apply our specialized knowledge and experience to develop and manage sustainable solutions for water supply and wastewater disposal for communities and industry; planning and permitting infrastructure projects; ecosystem restorations; and soil-structure interaction evaluations. Services are focused in four specialist practice areas: Environmental Infrastructure, Environmental Management, Environmental Remediation, and Geotechnical Engineering. The services we provide in these areas include planning, permitting, design, construction management, and operations consulting for

- Wastewater collection systems
- Water treatment and disposal facilities, including biological/enhanced nutrient removal
- Infiltration and inflow/combined and sanitary sewer overflow programs
- Water treatment facilities, including advanced water treatment technologies
- Dams and reservoirs
- Water distribution systems
- Water reclamation and reuse systems
- Ecosystem restoration programs
- Channels and levees

We also provide

- Environmental assessments
- Environmental site management services
- Risk assessment services
- Hazardous waste remediation services
- Water resources management
- Watershed planning, including flood control planning
- Permitting and compliance
- Environmental review and documentation
- Subsurface explorations
- Geologic field mapping
- Geotechnical laboratory testing
- Materials investigations
- Foundation and embankment design
- Seepage analysis and dewatering studies

Our Environment practice area includes multidisciplinary teams of qualified and experienced engineers, scientists, process specialists, occupational hygienists, and specialists in environmental regulation and policy.

Industrial Practice Area

We provide comprehensive industrial services in five specialist practice areas: Bio/Pharmaceuticals, Manufacturing, Resources, Power, and Program & Project Management. Services are provided to clients principally in the private sector in resources, bio/pharmaceuticals, power generation and transmission, facilities and infrastructure, maintenance and repair facilities, military facilities, utilities, renewable energy, mining, forestry, consumer products, food and beverage, automotive, and general manufacturing areas. Our services to these clients include programming, planning, engineering, construction management, and project management. We also provide specialty services, including occupational health and safety (industrial hygiene and prestart operator safety reviews), system integration, instrumentation and control, electrical energy and power management,

facility planning and design, industrial engineering, logistics, material handling, and commissioning. Projects range from the design of pilot versions of new processes to the design, process verification, equipment and materials procurement, and project management for the construction of entire industrial plants. Our Bio/Pharmaceuticals group provides solutions to companies involved in the discovery, research and development, and manufacturing of a wide range of pharmaceutical and biotechnology products.

We reorganized this practice area as of January 1, 2008. The name of the practice area was changed from Industrial & Project Management to Industrial. In addition, the number of specialist practice areas was increased from four to five.

Transportation Practice Area

We offer transportation solutions for the safe and efficient movement of people and goods primarily to public sector clients. Our core services include project management, planning, engineering, construction administration, and infrastructure management related to the transportation sector. We prepare transportation master plans for communities; conduct transportation investment studies; plan and design airport, transit, rail, bridge, and highway facilities; provide administration and support services for the construction of specific projects; and provide ongoing management planning for the safe and efficient upkeep of transportation facilities.

Our broad range of expertise is illustrated by our ability to (1) provide specialized services such as state-of-the-art simulation modeling; (2) evaluate the effectiveness of alternative transportation demand and supply management techniques; (3) prepare investment grade revenue studies for funding transportation projects; (4) provide public consultation and environmental assessment skills to build broad public support for infrastructure plans; and (5) design and implement integrated infrastructure/asset management systems for all types of transportation infrastructure. We truly can provide services through the life cycle of almost any transportation project.

Urban Land Practice Area

Services in the Urban Land practice area include planning, engineering, surveying, and landscape architecture. These services are provided primarily to the land development, housing, commercial, retail, and real estate industries. Services are delivered through three areas of professional practice: Planning & Landscape Architecture, Urban Land Engineering, and Surveys/Geomatics. We assist our urban land clients through the entire land development process from procurement of the land to master planning of the development, engineering and landscape architectural design, and surveys/geomatics for entitlement and construction. Services include conceptual planning, urban and land planning, master development planning, zoning approval, subdivision and entitlement, boundary and topographic mapping, grading and infrastructure design, landscape architecture, construction administration, and construction surveying.

Acquisitions

The following list summarizes the acquisitions we made during the three most recently completed financial years:

Year	Business Acquired	Nature of Business
2007	Chong Partners Architecture, Inc.	Provides services in architecture, interior design, and planning, principally in California.
2007	Fuller, Mossbarger, Scott & May Engineers, Inc. (including Leestown Leasing, L.L.C.)	Provides services in civil, environmental, geotechnical, structural, and water resources engineering, primarily in Kentucky with additional offices in Ohio, Missouri, Indiana, Georgia, and Tennessee.

Year	Business Acquired	Nature of Business
2007	Geller DeVellis Inc.	Provides planning, landscape architecture, and civil engineering services, principally in Massachusetts.
2007	Land Use Consultants, Inc.	Provides planning, landscape architecture, and civil engineering services, principally in Maine.
2007	Moore Paterson Architects Inc.	Provides architecture, planning, and project management services to Vancouver Island and the Lower Mainland.
2007	Murphy Hilgers Architects Inc. (including Brentcliffe Financial Services Inc. and Dekko Studio Inc.)	Provides planning and design services in Ontario.
2007	Neill and Gunter Incorporated (including Neill and Gunter Limited and Neill and Gunter (Nova Scotia) Limited)	Provides consulting engineering services to the industrial sector from principal offices in New Brunswick, Nova Scotia, and Maine.
2007	Nicolson Tamaki Architects Inc.	Provides architecture services in British Columbia.
2007	Trico Engineering Consultants, Inc.	Provides services in civil engineering, surveying, landscape architecture, and planning in South Carolina.
2007	Vollmer Associates LLP	Provides engineering, architecture, planning, landscape architecture, and survey services, principally in the transportation sector in the US Northeast.
2007	Woodlot Alternatives, Inc.	Provides services in natural resource assessment, permitting, and environmental engineering, principally in the US Northeast from its office base in Maine.
2006	Carinci Burt Rogers Engineering, Inc.	Provides electrical engineering consulting services in Ontario.
2006	Dufresne-Henry, Inc.	Provides multidiscipline engineering and consulting services in the New England states, New York, and Florida.
2006	ACEx Technologies, Inc.	Provides communications system engineering services, principally in the transportation sector.
2005	CPV Group Architects & Engineers Ltd.	Provides architecture, interior design, and structural engineering services in Alberta and British Columbia.
2005	The Keith Companies, Inc.	Provides multidiscipline engineering and consulting services, principally in the urban land sector in California, Oregon, Nevada, Arizona, Texas, Michigan, and Utah.
2005	Keen Engineering Co. Ltd.	Provides consulting engineering services specializing in sustainable mechanical, electrical, and plumbing design for buildings and facilities in British Columbia, Alberta, Ontario, Washington, and California.

We expect that the number of acquisitions we complete will fluctuate from time to time because of the availability of compatible firms on financial terms acceptable to us. In addition, at any given time we may be focusing our efforts on integrating previously acquired firms, which may reduce our acquisition activity.

Generally, we seek to acquire firms with 50 or more employees that will complement one of our existing practice areas or regions or add a new practice area or regional presence. We consider smaller acquisitions in markets in which we have existing operations.

We add to our internal growth when existing clients of newly acquired firms are offered and accept the additional services we provide. Similarly, the services of acquired firms are cross-marketed to our existing clients. We achieve moderate cost savings through the sharing of administrative overhead, such as payroll services, the sharing of office facilities, if possible, and the provision of insurance and centralized financing, which can generally be provided at lower rates than smaller firms can obtain.

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.

Employees

As at December 31, 2007, we had approximately 7,800 staff. This total staff number comprises 4,100 professionals, 2,600 technologists and technicians, and 1,100 support personnel.

We are a knowledge-based organization and are always seeking talented and skilled professionals in all of 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 an employee referral bonus program, web site job postings, career fairs, student programs, and the ability to offer geographic mobility.

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, there are fewer but still many competitors; however, some of these competitors have greater financial and other resources than ours. Although we compete with other large private and public companies in certain geographic locations, our primary competitors are small to midsize 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. Furthermore, we focus on small to midsize projects which differentiates us from some larger competitors.

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 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 represents more than 5% of total revenue.

We offer a range of pricing structures to our clients but primarily offer 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 on a competitive bidding process.

Social or Environmental Policies

We have adopted an Environment, Health and Safety policy that states that we will carry out the following:

- Strive to identify, assess, and manage the environmental aspects and impacts associated with the services and products we provide
- Strive to identify and manage the environmental, health, and safety risks and hazards to which our employees are exposed
- Help our employees develop an awareness and understanding of the environment, health, and safety issues relevant to their work
- Strive to comply with legislation, regulations, and appropriate industry standards
- Monitor and enhance the program through inspections, audits, reviews, investigations, corrective actions, and other processes
- Encourage internal and external communication regarding environmental, health, and safety issues

We have included this policy in our Environment, Health and Safety manual. The manual sets out a detailed process for ensuring that all employees are familiar with the policy and that appropriate individuals regularly review environment, health, and safety matters.

International Operations

We conduct a portion of our business outside Canada and the United States. Specifically, international operations include operating offices in Barbados and Puerto Rico, as well as ongoing projects in the Caribbean (Barbados, Trinidad, Tobago, St. Lucia, Grenada, the Bahamas, St. Vincent, Bermuda, and Puerto Rico), Asia (China, Taiwan, Japan, and India), South America (Peru, Brazil, Paraguay, and Columbia), and other locations (Cyprus, Mexico, Madagascar, Norway, Kenya, and Abu Dhabi). Such operations accounted for approximately 1% of our revenues in 2007. Some of this work involves political risk, contracts with foreign clients, and working under foreign legal systems.

Dividend Policy

We currently have no plans to pay dividends on our common shares. Instead, we plan to reinvest our net income to continue our corporate strategy of growth. The payment of dividends on common shares in the future will depend on our need to finance growth, our financial condition, and other factors that the Board of Directors may consider appropriate in the circumstances.

RISK FACTORS

Like all professional services firms in the infrastructure and facilities industry, we are exposed to a number of risks in carrying out the day-to-day activities of our operations. Although these risk factors are listed in order of seriousness of outcome, we do not believe that they all have the same risk of occurrence.

Economic downturns could have a negative impact on our business since our clients may curtail investment in infrastructure projects.

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 would 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.

If we are unable to manage our growth effectively, we may experience a decline in our revenue and profitability.

We have grown rapidly in the last few years, and we intend to pursue further growth through acquisitions and internal hiring as part of our business strategy. However, there is a risk that we may not be able to manage our growth effectively and efficiently. Our inability to manage our growth could cause us to incur unforeseen costs, time delays, or other negative impacts, any of which could cause a decline in our revenue and profitability. Our rapid growth has presented, and will continue to present, numerous administrative and operational challenges, including the management of an expanding array of engineering and consulting services, the assimilation of financial reporting systems, increased pressure on our senior management, and increased demand on our systems and internal controls. Furthermore, as we expand our service offerings and geographic presence, we may not be able to maintain the current quality of our services.
We may also encounter difficulties in integrating acquisitions that we do make. Acquired businesses may not be profitable, because we may not be successful in generating the same level of operating performance that an acquired company experienced prior to its acquisition. As well, we may not be able to maintain our reputation in an acquired company's geographic area or service offerings, which may negatively impact our ability to attract and retain clients in those or other areas. Any of these integration issues could divert management's attention from other business activities and impact our ability to grow our business effectively.

From time to time, 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 businesses that we have not previously conducted and expose us to additional business risks that are different from those we have traditionally experienced. Consequently, we may depend in part on the knowledge and expertise of the professional service providers and management teams that we acquire in order to make these business opportunities profitable. New business opportunities frequently bring a learning curve that may require substantial management time, which 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 during periods of greater learning may be materially adversely affected, and we may experience a partial or complete loss of our investment.

Adverse weather conditions and natural or other disasters may cause a 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, plant start-up and testing, and plant operations. Certain weather conditions and natural or other disasters, such as fires, floods, influenza pandemics, and similar events, may cause postponements in the initiation and/or completion of our field activities and may hinder the ability of our office employees to arrive at work, which may result in a delay or elimination of revenue that otherwise would have been recognized while certain costs continued to be incurred. Adverse weather conditions or disasters may also delay or eliminate our initiation and/or completion of the 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 field, office, and/or other activities may require us to incur additional costs attributable to overtime work necessary to meet our client's required schedule. Due to various factors, a delay in the commencement or completion of a project may also result in the cancellation of the contract. As a result, our net revenue and profitability may be adversely affected.

Goodwill and other intangible assets acquired as a result of our acquisitions represent substantial portions of our total assets. If our acquired businesses do not perform as expected, we may be required to write down the value of our goodwill and other intangible assets, which could have a material adverse effect on our earnings.

Goodwill and other intangible assets represent approximately 44.9% 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 other 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. Canadian and US accounting rules require us to perform an annual impairment test of our goodwill and indefinite life intangible assets. A deterioration in the operating results of such acquired businesses or the failure of these businesses to meet our expectations may adversely affect the carrying value of our goodwill and other indefinite life intangible assets and could result in an impairment of the goodwill associated with such businesses. As part of our annual review of goodwill for impairment, we consider the actual performance of each of our reporting units compared to our expectations and update our future expectations for such reporting units. An impairment of goodwill would be recorded as a charge in our income statement, which could have a material effect on our earnings.

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 as they are 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 addition, in our experience, clients who withhold payment are more likely to bring claims against us and have a higher tendency toward dissatisfaction with the services we provide.

A significant portion of our revenue is derived from clients in the real estate industry. Consequently, our business could suffer materially if there were a downturn in the real estate market.

In 2007, 29.8% (2006 – 34.5%) of our gross revenue was derived from services provided by our Urban Land practice area, the majority (about 85%) of which are related residential and commercial real estate development projects. Consequently, reduced demand in the real estate market would likely have an adverse impact on our Urban Land practice area. The real estate market, and, therefore, 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 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

A significant decrease in the demand for our real estate-related services could have a material adverse effect on our overall business, including the results of our operations and liquidity.

Stantec and an acquired entity may experience difficulties in integrating the acquired entity's business into the existing operations of Stantec 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 grow our 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 and 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, and geographic presence that formed the foundation for the acquisition.

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.

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

The markets we serve are highly competitive, and we have numerous competitors for the services we offer. The principal competitive factors include reputation, experience, breadth and quality of services, technical proficiency, local offices, competitive total project 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 midsize, privately held regional firms in the United States and Canada. Generally, competition places downward pressure on our contract prices and profit margins. 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 acceptable 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 stock price.

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

As of December 31, 2007, our backlog was approximately $831 million. However, the revenue projected in our backlog 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 profit we actually receive from contracts reflected in our backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of our backlog and the revenue and profits we actually receive. Finally, poor project or contract performance could also impact our profits.

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.

Our business strategy is to expand into new markets and enhance our position in existing markets through the acquisition of complementary businesses. In order to successfully complete targeted acquisitions or to fund our other activities, we may issue additional equity securities that could dilute share ownership. 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.

We currently have a $250 million credit facility. However, we have no assurance that debt financing will continue to be available from our current lenders or other financial institutions on similar terms.

We may be unsuccessful in our goal to increase the size and profitability of our operations, 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, our business will not grow in the manner we expect, and we will have difficulty achieving our growth plan.

We derive significant revenue from contracts with government agencies. Any disruption in government funding or in our relationship with those agencies could adversely affect our business.

The demand for our services is related to the level of government funding that is allocated for rebuilding, improving, and expanding infrastructure systems. We derive a significant amount of our revenue from government or government-funded projects and expect to continue to do so in the future. Between 30 and 57% of our gross revenue during the years ended December 31, 2005, through December 31, 2007, was derived from government or government-funded projects. Significant changes in the level of government funding could have an unfavorable impact on 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 participate in these programs. 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. In addition, government agencies can terminate these contracts at their convenience. We may incur costs in connection with the termination of these contracts and suffer a loss of business. As well, contracts with government agencies are sometimes subject to substantial regulation and audit of the actual costs incurred. Consequently, there may be a downward adjustment to our revenue if accrued recoverable costs exceed actual recoverable costs.

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 Canadian GAAP measures, 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 Canadian GAAP measures. 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, 2007; December 31, 2006; and December 31, 2005, for C$1.00 were US$0.93, US$0.88, and US$0.83, respectively. Furthermore, this volatility may continue in the future, and, as discussed above, 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. As a result, we may not benefit from any weakening of the Canadian dollar relative to the US dollar.

If we are unable to engage qualified subconsultants, we may lose projects, revenue, and clients.

We often contract with outside companies to perform designated portions of the services we provide to our clients. In 2007 subconsultant costs accounted for approximately 8.6% (2006 – 8.6%) of our gross revenue. If we are unable to engage qualified subconsultants, our ability to perform under some of our contracts may be impeded and the quality of our service may decline. As a consequence, we may lose projects, revenue, and clients.

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 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 70% of the dollar value of our contracts in 2007 was based on a fixed-fee or time-and-materials contract with a ceiling on the maximum costs to the client. 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 our 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 may 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 these projects longer than anticipated, which may prevent them from pursuing and working on new projects. Projects that are over budget or not on schedule may also lead to client dissatisfaction.

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 either event, we could lose clients and revenue, and our profitability could decline.

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.

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 very 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 employees to the same extent that we were able to do so in the past.

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. The loss of this 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 have dealings in the future.

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 misstatement 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.

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.

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 any 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 only claims actually made during the policy period currently in effect. In addition, even where insurance is maintained for such exposures, the policies have deductibles resulting in our assuming exposure for a layer of coverage with respect to any such claims. 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 loss for 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, we have experienced and may continue to experience an increase in our insurance premiums. We may not be able to pass these increases on to our clients in increased billing rates.

Our share price could be adversely affected if a large number of our common shares are offered for sale or sold.

There may be instances in which we negotiate an acquisition where the consideration for the purchase may include Stantec shares. In the event that the acquired entity’s shareholders subsequently decide to dispose of Stantec shares following the acquisition, there could be a large 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.

Our share price has historically been subject to volatility. As a result, 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 TSX and New York Stock Exchange (NYSE) during the 52 weeks ended December 31, 2007, were C$39.31 and C$23.70, respectively, and US$39.64 and US$20.10, 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 economy, 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; or (8) general volatility in the stock market.

In addition, the stock market has experienced volatility that has affected the market prices of the equity securities of many companies and that has often been unrelated to the operating performance of such companies. A number of other factors, many of which are beyond our control, could also cause the market price of our common shares to fluctuate substantially.

We may not be able to adequately protect our intellectual property, which could force us to take costly protective measures such as litigation.

To establish and protect our intellectual property rights, we rely on a combination of trademark and trade secret laws, along with licenses, exclusivity agreements, and other contractual covenants. However, the measures we take to protect our intellectual property rights may prove inadequate to prevent the misappropriation of our intellectual property. Litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type could result in substantial costs and the diversion of resources, may result in counterclaims or other claims against us, and could significantly harm the results of our operations.

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

We rely heavily on computer information, communications technology, and related systems in order to properly operate. If we are unable to continually add software and hardware, effectively upgrade our systems and network infrastructure, and take other steps to improve the efficiency of and protect our systems, systems operation 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, or similar events or disruptions. Any of these or other events could cause system interruption, delays, and loss of critical data, could delay or prevent operations, and may adversely affect our operating results.

Increasing awareness of environmental factors may result in the cancellation of major projects by key clients and thus adversely affect our profitability.

As part of increasing awareness of global climate change, some experts have suggested that companies involved in industries that impact the environment may be subject to litigation from governments, shareholders, or environmental activists. The cancellation of major projects due to environmental concerns or significant environmental litigation impacting key clients could affect our future results.

Managing Our Risks

We mitigate our operating, market, and growth and acquisition integration risks through our business strategy and other measures. As mentioned previously, 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. From the beginning of 2002 to December 31, 2007, we have completed 35 acquisitions, and we expect to continue to pursue selective acquisitions of businesses 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. Focusing on this project mix 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.

To address the risk of competition for qualified personnel, we offer a number of employment incentives, including training programs, access to a plan that provides the benefit of employee share ownership, and opportunities for professional development and enhancement, along with compensation plans that we believe to be competitive, flexible, and designed to reward top performance. In 2007 we completed a number of activities, including the expansion of our Career Development Center with updated content and new in-house programs and training. Launched in

2005, the center is the on-line source for all our learning, coaching and mentoring, and professional and career development resources. It provides access to programs and material on topics such as employee orientation, people skills and leadership, project management, risk mitigation, business development, and financial management, among others. During 2007, we also introduced Ready. Set. Focus!, a revamp of our organization structure and leadership team designed to increase our senior leaders' involvement with our clients and projects. As well, we continue to improve our project manager and leadership portal dashboard training programs. These programs are intended to make financially related information more visible in order to assist our operations leadership in improving performance and decision making. We recognize that through improved project management across our operations we will increase our ability to deliver projects on schedule and within budget.

Since our operations are dependent on the abilities and efforts of senior management and other key personnel, our Board of Directors and senior leaders are taking the necessary steps to develop and implement a formal plan of succession for management.

To mitigate the risk of fraud, we have various business conduct policies, including our Code of Ethics, Conflict of Interest, and Whistleblower policies. In addition, our Internal Audit team reviews opportunities and indicators for fraud as part of its control evaluation program.

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 designated 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.

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. In addition, for each acquisition a senior regional or practice leader is appointed to support the integration process. 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 "back office" support services from our corporate and regional offices.

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, as at December 31, 2007, no preferred shares and 45,703,935 common shares have been issued and are outstanding.

Escrowed Securities and Securities Subject to Contractual Restriction on Transfer

Designation of Class	Number of securities that are subject to a contractual restriction on transfer	Percentage of class
Common	5,792	0.01%

The number of common shares issued and outstanding as at December 31, 2007, includes 5,792 common shares issued in connection with the acquisition of The Keith Companies, Inc. to former holders of shares of The Keith Companies, Inc. These shares are subject to restrictions on transfer which mirror the restrictions previously imposed on the holders of The Keith Companies, Inc. shares (the Keith restricted shares). In accordance with Canadian GAAP and US GAAP, the Keith restricted shares are considered to be contingently returnable shares and, therefore, have not been included in the basic earnings per share calculation and the outstanding share data information presented in our management's discussion and analysis and in the annual financial statements for the year ended December 31, 2007. As at December 31, 2006, 55,666 Keith restricted shares were issued and outstanding. During 2007, restrictions were removed from 22,035 Keith restricted shares, and 27,839 Keith restricted shares were returned for cancellation, with the result that, as at December 31, 2007, 5,792 Keith restricted shares were issued and outstanding. The material rights, privileges, restrictions, and conditions attached to the preferred shares and the common shares (including the Keith restricted shares) are summarized below.

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

Our common shares are listed for trading on the TSX under the symbol STN and on the NYSE under the symbol SXC. The intraday trading information on the TSX for the period from January 1, 2007, to December 31, 2007, is set out in the following table:

Month	High (C$)	Low (C$)	Volume*
January	28.86	23.70	1,767,100
February	30.20	26.62	2,053,700
March	33.00	28.86	4,622,100
April	34.68	30.36	2,566,600
May	35.22	32.15	2,764,200

June	36.95	33.20	2,141,600
July	36.00	34.10	2,514,600
August	34.50	29.49	2,424,300
September	35.13	32.35	1,906,500
October	36.99	32.53	1,672,600
November	37.00	31.62	2,395,300
December	39.31	32.62	2,177,200
			29,005,800

* Volume numbers are rounded to the nearest hundred shares.

The intraday trading information on the NYSE for the period from January 1, 2007, to December 31, 2007, is set out in the following table:

Month	High (US$)	Low (US$)	Volume
January	24.44	20.10	317,600
February	25.97	22.72	215,300
March	28.18	24.55	303,900
April	30.93	26.01	470,700
May	32.88	29.13	590,100
June	34.55	31.65	667,350
July	34.50	31.95	642,900
August	32.68	27.53	470,700
September	34.25	31.60	330,600
October	38.94	32.80	346,800
November	39.04	32.25	482,800
December	39.64	32.26	618,750
			5,457,500

* Volume numbers are rounded to the nearest hundred shares.

AUDIT COMMITTEE INFORMATION

Audit Committee Terms of Reference

The responsibilities and duties of our Audit 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 Committee

Our Audit Committee is made up of the following three members: William (Bill) Grace (Chairman), Robert Mesel, and Ivor Ruste.

The Board of Directors believes that the composition of the Audit Committee reflects an appropriate level of financial literacy and expertise. Each member of the Audit 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, the board has determined that each of Mr. Grace, Mr. Ruste, and Mr. Mesel is an "Audit Committee Financial Expert" as such term is defined in the rules and regulations of the U.S. Securities and Exchange Commission. The following is a description of the education and experience of each member of the committee that is relevant to the performance of his responsibilities as a member of the Audit Committee.

William D. Grace is a graduate of the University of Alberta and a Fellow Chartered Accountant. During his business career, he served as the chief financial officer with several Alberta corporations. From 1988 to 1994, he was a managing partner in the Edmonton office of Price Waterhouse. Mr. Grace is the recipient of several awards, including the Alberta Achievement Award from the province of Alberta, the Lifetime Achievement Award from the Alberta Institute of Chartered Accountants, and the University of Alberta Alumni Award of Excellence. He currently holds a number of corporate directorships with publicly traded companies, including the Forzani Group Ltd., Melcor Developments Ltd., BioMS Medical Corp., Lockerbie & Hole Inc., and with a number of private companies. He is also the independent chairman of the Edmonton Pipe Industry Pension Trust and Health & Welfare Funds, and a director of the Mutual Fund Dealers Association of Canada. Mr. Grace is a past president of both the Alberta and Canadian Institutes of Chartered Accountants and has been active over the past 25 years in numerous community and professional organizations.

Robert R. Mesel is an experienced business professional with expertise in business development, administration, accounting, and finance. Prior to his retirement in 1998, Mr. Mesel was a director and/or trustee for a number of organizations, including the Financial Executives Institute (Northeast Ohio Chapter), the Ohio Council for Economic Education, the Greater Cleveland Salvation Army, and Canisius College. Mr. Mesel completed his bachelor of business administration in accounting at Canisius College, his master of business administration at State University of New York at Buffalo, and the advanced management program at Harvard Business School. He is also the past president of BP Chemicals Inc. and Chase Brass & Copper Company.

Until December 31, 2007, Ivor M. Ruste was the vice president, finance for EnCana Corporation (an unconventional natural gas and integrated oil company) headquartered in Calgary, Alberta. As of January 1, 2008, Mr. Ruste became EnCana's executive vice president and chief risk officer. He has a bachelor of commerce (with distinction) from the University of Alberta and is a Fellow Chartered Accountant. 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, just prior to joining EnCana in May 2006, was the Alberta regional managing partner and vice chair of the KPMG Canada Board of Directors. Mr. Ruste currently serves on the Board of Governors for the University of Alberta and is chair of the Audit Committee. Mr. Ruste has been involved over the past 27 years in numerous other business, community, and professional activities.

Preapproval Policy

The Audit 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 Committee. Any proposed services exceeding preapproved cost levels will require specific preapproval by the Audit Committee.

External Auditor Service Fees

Aggregate fees paid to Ernst & Young LLP, our external auditor, during the fiscal years ended December 31, 2007 and 2006, were as follows:

Category	Note	2007	2006
Audit Fees	1	C$1,021,000	C$1,056,000
Audit-Related Fees	2	11,000	0
Tax Fees	3	695,000	532,000
Total		C$1,727,000	C$1,588,000

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.

DIRECTORS AND OFFICERS

The following table lists the directors of Stantec Inc., current to March 14, 2008, 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
ROBERT J. BRADSHAW[1] Toronto, Ontario, Canada	Chairman, Contor Industries Limited (a holding company that acquires manufacturing companies)	1993
ANTHONY P. FRANCESCHINI Edmonton, Alberta, Canada	President & CEO of Stantec	1994
WILLIAM D. GRACE[1, 2] Edmonton, Alberta, Canada	Corporate Director	1994
SUSAN E. HARTMAN[1] Rochester, New York, USA	President and CEO of The Hartman Group (a management consulting firm)	2004
ARAM H. KEITH Irvine, California, USA	Vice Chairman of the Board of Stantec	2005
ROBERT R. MESEL[2] Kiawah Island, South Carolina, USA	Corporate Director	2004
IVOR M. RUSTE[2] Calgary, Alberta, Canada	Executive Vice President and Chief Risk Officer, EnCana Corporation (an unconventional natural gas and integrated oilsands company)	2007
RONALD TRIFFO Edmonton, Alberta, Canada	Chairman of the Board of Stantec	1985

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

All directors are elected annually. With the exception of Aram H. Keith, who, prior to September 15, 2005, was the chief executive officer and chairman of the Board of The Keith Companies, Inc. (an engineering and consulting firm), a position he held since 1983, and Ivor M. Ruste, who, just prior to joining EnCana Corporation in May 2006, was the Alberta regional managing partner and vice chair of the KPMG Canada Board of Directors and who, from 1998 until 2006, was the managing partner of the Edmonton office of KPMG LLP (an international audit, tax, and advisory services firm), each of the directors of Stantec has been engaged for more than five years in their present principal occupation or in other capacities with the company or organization (or a predecessor thereof) in which they currently hold their principal occupation.

William Grace was a director of WavePOINT Systems Inc. from December 2000 until March 2002. On May 29, 2002, WavePOINT Systems Inc. made an assignment pursuant to the Bankruptcy and Insolvency Act (Canada), and a trustee in bankruptcy was appointed.

The following table lists the executive officers of Stantec, current to March 15, 2008, their municipality of residence, and their principal occupation within the five preceding years:

Executive Officers of Stantec

Name and Municipality of Residence	Principal Occupation	Officer Positions Held
Executive Officers of Stantec Inc.		
RONALD TRIFFO Edmonton, Alberta, Canada	Chairman of the Board	Chairman of the Board of Stantec Inc.
ARAM H. KEITH Irvine, California, USA	Vice Chairman of the Board	Vice Chairman of the Board of Stantec Inc.
ANTHONY P. FRANCESCHINI Edmonton, Alberta, Canada	President & CEO	President & CEO of Stantec Inc.
DONALD W. WILSON St. Albert, Alberta, Canada	Senior Vice President & CFO	Senior Vice President & CFO of Stantec Inc.
MARK E. JACKSON Waterloo, Ontario, Canada	Senior Vice President & COO	Senior Vice President & COO of Stantec Inc.
JEFFREY S. LLOYD Edmonton, Alberta, Canada	Vice President, Secretary & General Counsel	Vice President, Secretary & General Counsel of Stantec Inc.
Other Executive Officers		

Name and Municipality of Residence	Principal Occupation	Officer Positions Held
W. PAUL ALLEN Elmira, Ontario, Canada	Corporate Practice Area Unit Leader, Urban Land	Senior Vice President of certain Stantec Inc. subsidiaries
RICHARD ALLEN Canton, Massachusetts, USA	Regional Operating Unit Leader, US East	Senior Vice President of certain Stantec Inc. subsidiaries
CARL F. CLAYTON Edmonton, Alberta, Canada	Corporate Practice Area Unit Leader, Transportation	Senior Vice President of certain Stantec Inc. subsidiaries
VALENTINO DIMANNO Calgary, Alberta, Canada	Regional Operating Unit Leader, Canada	Senior Vice President of certain Stantec Inc. subsidiaries
ROBERT J. GOMES Edmonton, Alberta, Canada	Corporate Practice Area Unit Leader, Industrial	Senior Vice President of certain Stantec Inc. subsidiaries
JEFFERY KISHEL Longmont, Colorado, USA	Corporate Practice Area Unit Leader, Environment	Senior Vice President of certain Stantec Inc. subsidiaries
ERIC C. NIELSEN Santa Ana, California, USA	Regional Operating Unit Leader, US West	Senior Vice President of certain Stantec Inc. subsidiaries
STANIS I.R. SMITH Burnaby, British Columbia, Canada	Corporate 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 us for the past five years, except for Aram H. Keith, who, prior to September 15, 2005, was the chief executive officer and chairman of the Board of The Keith Companies, Inc. (an engineering and consulting firm); Richard Allen, who, prior to April 17, 2006, was president and chief executive officer of Dufresne-Henry, Inc. (an engineering and consulting firm); Jeffery Kishel, who, prior to November 11, 2006, was senior vice president, Strategic Development and Client Services of MWH (an engineering and consulting firm); and Eric C. Nielsen, who, prior to September 15, 2005, was president and chief operating officer of The Keith Companies, Inc. (an engineering and consulting firm).

As a group, the directors of Stantec Inc. and the executive officers of Stantec, as at March 14, 2008, beneficially owned, or controlled or directed, directly or indirectly 1,925,904 (4.22%) of the voting (common) shares of Stantec.

LEGAL PROCEEDINGS

Valerie Parris versus Sear-Brown - Stantec acquired Sear-Brown in April 2004. Sear-Brown provided design services for a roadway in New York State. A multivehicle accident occurred on the roadway on November 28, 2001, ostensibly as a result of one driver's falling asleep and rear-ending another vehicle. Ms. Parris advanced a civil claim in New York State on or about December 1, 2003, alleging, among other things, negligence in the design and construction of the roadway. Ms. Parris alleges that, as a result of the accident, Alonzo Raynard Parris sustained fatal injuries and his son, Raynard Parris, sustained injury and mental distress. Sear-Brown is one of a number of defendants in the legal proceeding. Damages sought total US$43 million. Sear-Brown's insurer has responded to the claim. The allegations against Sear-Brown have been denied and are being contested. This matter was tentatively settled among all parties during mediation in early 2007 for a total settlement pool of $650,000. Sear-Brown's insurer agreed to contribute to the settlement pool. The settlement is subject to New York State Surrogate Court approval, which is pending.

In addition to the Valerie Parris claim noted above, we have other claims and suits pending, both by and against us. These are normal and typical to the industries in which we operate. Where appropriate, these claims have been reported to our and our predecessors' insurers, who are in the process of adjusting and/or defending them. None are expected to have a material effect on our financial position. The Valerie Parris claim summarized above is included herein because the amount claimed exceeds 10% of our current assets; however, given the tentative settlement, the claim is expected to be resolved with no out-of-pocket cost to Stantec.

TRANSFER AGENT

Computershare Trust Company of Canada is our transfer agent at Computershare's offices in Calgary, Alberta; Toronto, Ontario; New York, New York; and Denver, Colorado.

MATERIAL CONTRACTS

We did not enter into any material contracts outside the ordinary course of business in 2007. 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, 1800 Scotia 2, Scotia Place, 10060 Jasper Avenue, Edmonton, Alberta, T5J 3R8 are the auditors of the Corporation.

The Corporation'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, is contained in our management information circular, dated March 14, 2008. Copies of this annual information form, as well as our latest management information circular and annual report (which includes our consolidated financial statements and management's discussion and analysis) for the year ended December 31, 2007, may be obtained from our web site at www.stantec.com or by mail on request from the secretary, 10160 – 112 Street, Edmonton, Alberta, T5K 2L6. You may also access disclosure documents and any reports, statements, or other information that we file with the Canadian provincial securities commissions or other similar regulatory authorities through the Internet on SEDAR at www.sedar.com.

Edmonton, Alberta
March 27, 2008



JEFFREY S. LLOYD
Secretary

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



A. OVERVIEW AND PURPOSE

The Audit Committee (the "Committee") is appointed by, and responsible to the Board of Directors (the "Board"). 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 (if any) 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 generally accepted accounting principles.

B. AUTHORITY AND RESPONSIBILITIES

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.

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.

Provide reports and minutes of meetings to the Board.

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 three independent directors, appointed by the Board, all of whom must be financially literate and 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 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 CFO of the Corporation, representatives of the external auditor, the internal auditor, and such other officers or support staff as may be deemed appropriate.

D. FINANCIAL STATEMENTS AND DISCLOSURES

1. Review, and recommend to the Board for approval, the annual audited financial statements.

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

   (a) the financial content of the annual report;

   (b) the annual management information circular and proxy materials;

   (c) the annual information form, including any regulatory requirements for audit committee reporting obligations;

   (d) the management discussion and analysis section of the annual report; and

   (e) the year-end news release on the earnings of the Corporation.

3. Review and, if appropriate, to 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 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, then the matter shall be referred to the Board for review.

4. Review with management the procedures that exist for the review of financial information extracted or derived from financial statements which is publicly disclosed by the Corporation other than in the documents listed in section 3. above and periodically, at least annually, assess the adequacy of those procedures.

5. 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 which require approval by the Board prior to submission thereof to any regulatory authority.

6. Review, and if appropriate, recommend to the Board for approval the Corporation's filings with the U.S. Securities and Exchange Commission.

7. Review the audit 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 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) the impact of the Corporation's capital structure on current and future profitability, and any off-balance sheet structures;

   (e) any off-balance sheet structures; and

   (f) the key estimates and judgements 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 judgements about the appropriateness, aggressiveness or conservatism of estimates and elective accounting principles or methods and judgements 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.

E. EXTERNAL AUDITOR

12. Assess the performance and consider the annual appointment of external auditor for recommendation to the Board for ultimate recommendation for appointment by the shareholders.

13. Review, approve and execute the annual engagement letter with the external auditor, and ensure 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; and,

(g) the proposed fees.

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

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

16. 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.

17. 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.

18. 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.

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

20. 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 post-audit 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; and

(f) any other matters which the external auditor should bring to the attention of the Committee.

21. Meet with the external auditor at every meeting of the Committee or as requested by the auditor, without management representatives present; and to meet with management, at least annually or as requested by management, without the external auditor present.

22. 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.

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

24. 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

25. Review the appointment or termination of the Internal Auditor.

26. Review and approve the internal audit mandate periodically (at least every 3 years).

27. Review and approve the annual audit plan of the internal auditor (where applicable), and ensure 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; and,

    (g) the proposed budget.

28. 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; and

(e) any other matters which the internal auditor should bring to the attention of the Committee.

29. 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

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

31. Review management's annual report on the effectiveness of internal controls and procedures, as well as quarterly and annual CEO and CFO certificates filed pursuant to securities regulations.

32. Receive reports from management on all significant deficiencies and material weaknesses identified by management.

33. 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 the Corporation's assets.

34. Review and approve, on a quarterly after-the-fact basis, the expense accounts of the Board Chair and the Chief Executive Officer of the Corporation.

H. COMPLIANCE/RISK/FRAUD

35. Discuss with management the Corporation's major risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies.

36. Discuss with management the Corporation's policies and procedures designed to prevent, identify and detect fraud.

37. In accordance with the Corporation's Whistle Blower Policy – Complaint Resolution Process, review and determine the disposition of any complaints or correspondence received under the policy.

38. 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.

39. Discuss with management and the general counsel any legal matters that may have a material impact on the financial statements or the Corporation's compliance requirements.

40. On an annual basis, review the adequacy of the Corporation's insurance program.

41. 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.

I. OTHER

42. Review, as required, any claims of indemnification pursuant to the by-laws of the Corporation.

43. Receive a quarterly report from the CFO regarding private aircraft use including itinerary and passenger manifest.

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

45. Conduct a bi-annual assessment of the effectiveness of the Committee and provide a report thereon to the Board.

46. Review annually the terms of reference for the Committee and recommend any required changes to the Board.

J. MEETINGS

47. Regular meetings of the Committee are held at least four times each year.

48. Meetings may be called by the Committee Chair or by a majority of the Committee members, and usually in consultation with management of the Corporation.

49. Meetings are chaired by the Committee Chair or, in the Chair's absence, by a member chosen by the Committee from among themselves.

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

51. 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.

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

53. 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.

54. The Secretary of the Corporation shall be the secretary for the Committee and shall keep a record of minutes of all meetings of the Committee.

55. 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.

STANTEC INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2007, and 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

February 20, 2008

This discussion and analysis of Stantec Inc.'s operations and financial position, dated February 20, 2008, should be read in conjunction with the Company's 2007 audited consolidated financial statements and related notes. Our 2007 audited consolidated financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in Canada, which differ in certain respects from GAAP in the United States. Note 22 of the audited consolidated financial statements summarizes the principal differences between Canadian GAAP and US GAAP that affect our financial statements. 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. Such additional information is not incorporated by reference and should not be deemed to be made part of this Management's Discussion and Analysis.

During the second quarter of 2006, our shareholders approved the subdivision of our common shares on a two-for-one basis. All references to common shares, per share amounts, and stock-based compensation plans in this Management's Discussion and Analysis have been restated to reflect the stock split on a retroactive basis.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our communications often include forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act and Canadian securities law. 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 in this report, including the discussion of our goals in the Visions, Core Business, and Strategy section and of our annual and long-term targets and expectations for our 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 2008 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 or for the Canadian or US economies.

We provide a financial outlook (a type of forward-looking statement) for our business in the Vision, Core Business, and Strategy; Results; and Outlook sections of this report in order to describe management expectations and targets by which we measure our success. Readers are cautioned that this information may not be appropriate for other purposes.

By their nature, forward-looking statements and financial outlooks require us to make assumptions and are subject to inherent risks and uncertainties. Assumptions about the performance of the Canadian and US economies in 2008 and how this performance will affect our business are material factors we consider in determining our forward-looking statements and are discussed in the Outlook section. There is a significant risk that predictions 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, global capital market activities; fluctuations in interest rates or currency values; our ability to execute our strategic plans or to complete or integrate acquisitions; critical accounting estimates; 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 or communications; disruptions in power or water supply; industry or worldwide 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; or technological changes.

We caution that the foregoing list is not exhaustive of all possible factors and that other factors could adversely affect our results. The Risk Factors section below provides additional information concerning key factors that could cause actual results to differ materially from those projected in our forward-looking statements. 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 20, 2008, 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.

VISION, CORE BUSINESS, AND STRATEGY

Our Company provides professional consulting services in planning, engineering, architecture, interior design, landscape architecture, surveying and geomatics, environmental sciences, project management, and project economics for infrastructure and facilities projects. By integrating our expertise in these areas across North America and the Caribbean, we are able to work as one team providing our clients with a vast number of project solutions. This integrated approach also enables us to execute our “Global Expertise. Local Delivery.” operating philosophy. We support the services we deliver through local offices with the knowledge and skills of our entire organization. Through multidiscipline service delivery, we also support clients throughout the project life cycle—from the initial conceptual planning to project completion and beyond.

Our goal is to become a top 10 global design and consulting services firm, and our focus is providing professional services in the infrastructure and facilities market principally on a fee-for-service basis. To achieve our objective, we must expand the depth and breadth of our services, which will result in growth. We intend to continue to pursue a prudent growth plan.

Looking ahead, we plan to gradually and systematically expand our geographic reach outside North America in markets that are best suited and receptive to our services as these services evolve and mature. International work currently accounts for 1% of our business. By 2018 we target to generate up to 20% of our revenue from our international work, most likely by expanding to the United Kingdom, Australia, and New Zealand.

Our business strategy is based on mitigating risk by

- Diversifying our operations through a focused, three-dimensional business model
- Serving many clients on many projects
- Taking on little or no construction risk
- Positioning ourselves among the top-three service providers in our geographic regions and practice areas

Our focused, three-dimensional business model allows us to manage risk while continuing to increase our revenue and earnings. The model is based on

- Diversifying our operations across several geographic regions
- Specializing in distinct but complementary practice areas
- Providing services in all five phases of the infrastructure and facilities project life cycle (planning, design, construction, maintenance, and decommissioning)

Through our “One Team. Infinite Solutions.” and “Global Expertise. Local Delivery.” operating philosophy and approach to our business and service delivery, we have one reportable GAAP 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 areas that provide strategic direction, mentoring, and technical support across all of our geographic regions.

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

Geographic Diversification

Currently, we operate in three main regions in North America—Canada, the US East, and the US West. We also have a small presence in the Caribbean and a project presence in several international locations. Our goal is to position our Company among the top three service providers in each of our regions. Based on our services mix, this generally means achieving a market penetration of 100 employees or $10 million in revenue per 1 million in population. We realize this objective in our existing regions primarily by adding services through organic growth and strategic hiring supplemented by acquisitions. We achieve our target in new regions principally by acquiring and integrating firms that complement our organization supplemented by organic growth and strategic hiring.

Practice Area Specialization

Currently, we provide services in five specialized and distinct practice area groupings—Buildings, Environment, Industrial, Transportation, and Urban Land. Focusing on this combination of project services helps differentiate us from our competitors, allowing us to enhance our presence in new geographic regions and markets and to establish and maintain 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 and to selectively add complementary new practice areas to our operations.

Buildings. We provide architectural and engineering design solutions to both private and public sector clients in a wide range of market sectors across North America through two specialist practice areas: 1) Architecture and 2) Buildings Engineering. Our focus is on the architectural and engineering design of buildings from preconception to postcompletion in the health care, retail/commercial, education, sports/recreation, and airports market sectors. Our core services include project and program definition, facilities planning, architectural design, interior design, and structural, mechanical, electrical, and acoustical engineering for both new construction and existing buildings. For existing buildings, we offer expertise in performance engineering, building operating systems (including analysis of exterior envelope, air quality, lighting, and energy efficiency), and ongoing tenant improvements. Over the past few years, our Buildings practice area has also established an industry-wide reputation for leadership in sustainable and integrated design.

In 2007 the Buildings practice area grew through the acquisition of architecture firms in British Columbia and Ontario in Canada and in California in the United States. Going forward, our focus in 2008 and over the next 10 years will be on continuing to build the Buildings practice area, starting with our architecture practice, in the United States and also internationally.

Environment. We provide solutions for water supply and wastewater disposal for communities and industry; planning and permitting infrastructure projects; ecosystem restorations; and soil-structure interaction evaluations through four specialist practice areas: 1) Environmental Infrastructure, 2) Environmental Management, 3) Environmental Remediation, and 4) Geotechnical Engineering. Our core services in these areas include water supply, treatment, storage, and distribution; wastewater collection, pumping, treatment, and disposal; watershed management; environmental site management and remediation; environmental assessment, documentation, and permitting; ecosystem restoration planning and design; subsurface investigation and characterization; and geotechnical engineering.

In 2007 we expanded our Environment practice area through organic growth in our existing geographic locations as well as through the addition of firms (in the fourth quarter of 2007 and at the beginning of 2008) with offices in Maine, New York, Georgia, Indiana, Kentucky, Missouri, Ohio, Pennsylvania, West Virginia, Tennessee, and New Brunswick. In particular, these additions strengthened our capabilities in wastewater collection and disposal, ecosystem restoration, and flood control. We also added a geotechnical engineering capability focused on major civil works, such as dams and levees, bridge foundations, highways, and waterfront structures, as well as an environmental remediation capability focused on services for the energy, manufacturing, chemical, pulp and paper, and transportation industries. In 2008 we will focus on strengthening the Environment practice area by continuing to grow our profile and market share throughout North America, particularly in central Canada, the US Southeast, and California. Over the next 10 years, our goal will be to continue to improve our presence in the environment market in the United States, along with targeting international expansion.

Industrial. We provide industrial solutions to clients in the bio/pharmaceutical, power generation, utilities, mining, automotive, chemical, consumer products, forestry, food and beverage, pulp and paper, and general manufacturing sectors. Our core services include planning, engineering, and project management, which we deliver through five specialist practice areas: 1) Manufacturing, 2) Power, 3) Resources, 4) Bio/Pharmaceuticals, and 5) Program & Project Management. We also provide specialty services in occupational health and safety, system integration, instrumentation and control, electrical energy and power management, facility planning and design, industrial engineering, logistics, materials handling, and commissioning.

In 2007 we strengthened the services this practice area provides for the power and utilities, oil and gas, pulp and paper, food and beverage, mining, and composite wood products sectors through the acquisition of the Neill and Gunter companies in Atlantic Canada and the northeastern United States. We are now a midtier consultant in several of these industries across North America.

To meet our growth objectives going forward and to allow for more focus in some sectors, we reorganized this practice area as of January 1, 2008. The name of the practice area was changed from Industrial & Project Management to Industrial. This change was made to reflect the fact that we provide project management services throughout our organization; these services are not limited to the Industrial practice area. In 2008 we will also focus on strengthening our presence in the power transmission and renewable energy markets as well as pursuing more opportunities in the food and beverage and electronics industries.

Our goal for the next 10 years is to further position our industrial practice as the largest of the midtier consultants with the ability to undertake most projects in the industrial sector with the exception of large turnkey oil and gas projects.

Transportation. We offer solutions for the safe and efficient movement of people and goods, primarily to public sector clients, through one specialist practice area: Transportation. Our core services include project management, planning, engineering, construction administration, and infrastructure management related to the transportation sector. 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 safe and efficient upkeep of transportation facilities. Our broad range of expertise is illustrated by our ability to 1) provide specialized services such as state-of-the-art simulation modeling; 2) evaluate the effectiveness of alternative transportation demand and supply management techniques; 3) prepare investment grade revenue studies for funding transportation projects; 4) provide public consultation and environmental assessment skills to build broad public support for infrastructure plans; and 5) design and implement integrated infrastructure/asset management systems for all types of transportation infrastructure.

In 2007 we enhanced our presence in the transportation market in the US East through the acquisition of Vollmer Associates LLP based in New York City.

To improve the integration of our services in this practice area, we merged the two former specialist practice areas of Transportation and Infrastructure Management & Pavement Engineering into one specialist practice area effective January 1, 2008. In 2008 we will also focus on pursuing opportunities for growth in the US West. Our goal over the next 10 years is to strengthen our Transportation practice area by expanding primarily in growing urban areas across North America and by adding more specialized skill sets.

Urban Land. We provide planning, landscape architecture, surveying, engineering, and project management solutions, principally for the land development and real estate industries, through three specialist practice areas: 1) Planning & Landscape Architecture, 2) Urban Land Engineering, and 3) Surveys/Geomatics. Our core services include, or relate to, the development of conceptual and master plans, development approvals and entitlement, infrastructure design, transportation planning, traffic engineering, landscape architecture, construction review, and a wide variety of surveying and geomatics services to support the land development industry and other practice areas.

In 2007 we expanded our expertise in landscape architecture, engineering, and surveys/geomatics in the Urban Land practice area through a number of acquisitions in the US East. Our priority for this practice area in 2008 is to continue to diversify the services we provide for nonresidential development sectors. In the next 10 years, we expect to expand the practice area geographically in the fast-growing parts of the western and southern United States, which will give us an increased presence in Texas, Arizona, Florida, Georgia, and the Carolinas.

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 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 and recommendations 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, allowing us to establish longer-term relationships with clients and to strengthen our full "cradle to grave" approach.

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

Our performance depends on our ability to attract and retain qualified people; make the most of market opportunities; finance our growth; find, acquire, and integrate firms and/or new employees into our operations; and achieve top-three market penetration in the geographic areas we serve. Based on our success with these drivers, 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

Because we are a professional services firm, the most important driver of our performance is our people. Our employees create the project solutions we deliver to clients. Consequently, to achieve our goal of becoming a top 10 global design firm, we must grow our workforce through a combination of internal hiring and acquisitions. We measure our success in this area by total staff numbers. In 2007 our employee numbers increased to approximately 7,800 from 6,000 in 2006. As at December 31, 2007, our workforce was made up of about 4,100 professionals, 2,600 technical staff, and 1,100 support personnel. We expect our employee numbers to continue to increase in 2008 and beyond.

To attract and retain qualified staff, 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, "One Team. Infinite Solutions." culture. In 2007 we completed a number of activities, including the expansion of our Career Development Center with updated content and new in-house programs and training. Launched in 2005, the center is the on-line source for all our learning, coaching and mentoring, and professional and career development resources. It provides access to programs and material on topics such as employee orientation, integration (acquisition) training, people skills and leadership, project management, risk mitigation, business development, and financial management, among others. Going forward, we will continue to update and improve our learning and career development programs in response to the needs of our staff.

To measure our success in attracting and retaining staff, we use tools such as employee engagement surveys, ongoing requests for 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, operating in different regions and practice areas, and our "One Team" philosophy, using and sharing the best available staff resources across the Company, generally enable 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 mobilizing 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.

Market Opportunities/Acquisition and Integration

We believe that growth is necessary in order to enhance the depth and breadth of our expertise, broaden our services, increase our shareholder value, provide more opportunities for our employees, and lever our information technology systems. Our strategy is to combine internal growth with the acquisition of firms that believe in our vision and want to be part of our dynamic Company. Since we became publicly traded on the Toronto Stock Exchange (TSX) in 1994 to date, we have integrated a total of over 6,300 employees into the Stantec team from throughout Canada, the United States, and the Caribbean. In 2007 we completed 11 acquisitions, including four in Canada, which created a new geographic subregion in the Atlantic area, and seven in the United States, which expanded our business into Connecticut, Delaware, Indiana, Kentucky, Missouri, Ohio, Pennsylvania, and West Virginia. 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 the *Engineering News-Record*, the largest 500 engineering and architecture companies headquartered in the United States—our principal competitors—generated over US$70 billion in fees in 2007, about 80% of which was earned in North America and the balance earned internationally. Our share of our current addressable market is about 1%.

The integration of acquired firms begins immediately following the acquisition closing date and generally takes between six months and three years to complete. It involves the implementation of our Company-wide information technology and financial management systems as well as provision of “back office” support services from our corporate and regional offices. This approach allows our 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 postintegration survey and use the survey results to address specific issues and improve future integration activities.

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 TSX in 1994, we have grown our gross revenue at a compound annual rate of 20.0%. 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 equity to replenish our cash reserves, pay down debt, or strengthen our balance sheet. To date, we have issued additional shares for these purposes on four occasions—in 1997, 2000, 2002, and 2005. Currently, we have a revolving credit facility, due on August 31, 2010, that provides us with a line of credit of $250 million. Such financing will help us continue to pursue our growth plan.

Market Penetration

Also key to our success is achieving a certain level of market penetration in the geographic areas we serve. Our goal is to be among the top three service providers in each of our geographic regions 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, and is important for building or maintaining the critical mass of staff needed to generate consistent performance and to support regional company infrastructure.

One metric we use to gauge our success with market penetration is staff numbers per population in a region. Generally, we estimate that to be among the top three service providers in any given location we require 100 or more employees serving a population of 1 million people. To date, we calculate that we have a mature market presence (100 or more employees per 1 million in population) in the following provinces and states: Alberta, British Columbia, Manitoba, Maine, New Brunswick, Nova Scotia, Saskatchewan, and Vermont.

RESULTS

Overall Performance

Highlights for 2007

By executing our business strategy in 2007, we generated strong results for the fiscal year as well as growth in gross revenue, net income, and earnings per share as follows:

	2007	2006	$ Change	% Change
	(In millions of Canadian dollars, except per share amounts)			
Gross revenue	954.6	816.1	138.5	17.0%
Net income	69.3	60.2	9.1	15.1%
Earnings per share – basic	1.52	1.34	0.18	13.4%
Earnings per share – diluted	1.50	1.31	0.19	14.5%
Cash flows from operating activities	87.5	93.4	(5.9)	n/m
Cash flows used in investing activities	(135.2)	(15.6)	(119.6)	n/m
Cash flows from (used in) financing activities	33.9	(77.4)	111.3	n/m

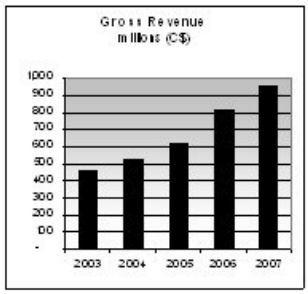
n/m = not meaningful

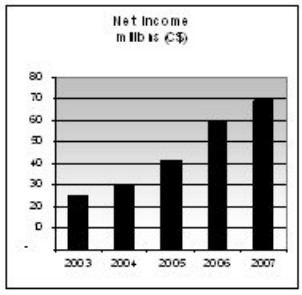
In our 2006 Management's Discussion and Analysis, we established various ranges of expected performance for 2007. The following table presents the results we achieved in 2007:

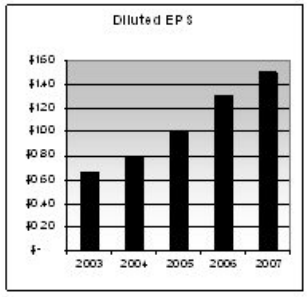
Measure	Expected Range	Result Achieved
Debt to equity ratio *(note1)*	At or below 0.5 to 1	0.19 P
Return on equity *(note 2)*	At or above 14%	16.4% P
Net income as % of net revenue	At or above 6%	8.3% P
Gross margin as % of net revenue	Between 55 and 57%	56.7% P
Administrative and marketing expenses as % of net revenue	Between 40 and 42%	42.3% *Ï*
Effective income tax rate	Between 32 and 34%	30.1% *PP*

note 1: Debt to equity ratio is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, minus cash divided by (2) shareholders' equity.
note 2: Return on equity is calculated as net income for the year divided by average shareholders' equity over each of the last four quarters.
PP Performed better than target
P Met target
Ï Did not meet target

In 2007 we met or performed better than our targets for all items except administrative and marketing expenses as a percentage of net revenue, which were 0.3% higher than expected. This variance is explained in the Administrative and Marketing Expenses section below.







The following highlights the major financial achievements and strategic activities that occurred in 2007, as well as other factors that contributed to our successful financial performance and strong overall financial condition:

- **A year of record results and continued growth.** In 2007 we posted record gross revenue, net income, and basic and diluted earnings per share.

  - § Gross revenue for 2007 was $954.6 million compared to $816.1 million in 2006 and $618.0 million in 2005. This result is in line with our previous 10-year goal of achieving $1 billion in revenue in 2008. We expect to exceed this target in the current fiscal year.

  - § Net income for 2007 was $69.3 million compared to $60.2 million in 2006 and $40.6 million in 2005.

  - § Diluted earnings per share for 2007 were $1.50 compared to $1.31 in 2006 and $0.99 in 2005.

  The continuing strength of our results reflects the ability of our business model to adapt to changing market conditions throughout North America. During the year, weakness in the residential land market in the United States contributed to a decrease in year-over-year revenue (excluding acquisitions) in our Urban Land practice area compared to 2006. This decline was offset by an increase in organic revenue in our other practice areas, particularly our Industrial and Environment practice areas.

- **Growth through acquisitions.** Of the $138.5 million increase in gross revenue from 2006 to 2007, $109.1 million was due to acquisitions completed in 2006 and 2007. We completed 11 acquisitions in 2007.

- **Continued growth.** On January 2, 2008, we completed the acquisition of R.D. Zande and Rochester Signal, Inc. On February 1, 2008, we completed the acquisition of SII Holdings, Inc. (Secor). Together, these acquisitions add approximately 1,100 staff to our US operations and increase the depth of the service offerings in our Environment and Transportation practice areas.

- **Strong balance sheet.** Our balance sheet remains solid, with cash and cash equivalents of $14.2 million and a debt to equity ratio of 0.19. As at December 31, 2007, $106.5 million of our $160 million credit facility was available for future acquisitions, working capital needs, capital expenditures, and general corporate purposes. During the year, we also negotiated an extension of the due date of our credit facility to August 2010 and renewed our normal course issuer bid with the TSX. Subsequent to December 31, 2007, we were successful in increasing the limit of our credit facility from $160 million to $250 million to provide additional flexibility for continued growth.

- **Additions to leadership.** During the year, we announced the appointment of Mark Jackson to the new role of senior vice president and chief operating officer (COO). The COO role was created to oversee the day-to-day management of our operations and to assume the practice responsibilities previously held by our chief executive officer (CEO). This change allows our CEO to focus more time on acquisitions, investor relations, strategic planning, and overall Company leadership in executing our plan to be a top 10 global design firm. Mark, who previously was the practice area leader for our Environment practice area, graduated from the University of Waterloo in 1975 with a bachelor of applied science in civil engineering.

In 2007 Ivor Ruste joined the Company's board of directors. Mr. Ruste is currently the executive vice president and chief risk officer for EnCana Corporation headquartered in Calgary, Alberta. From 1998 to 2006, he was the managing partner of the Edmonton, Alberta, office of KPMG LLP, and just prior to joining EnCana, he served as the Alberta regional managing partner and vice chair of the KPMG Canadian board of directors.

- **Increased backlog.** Consolidated revenue backlog at the end of 2007 was $831 million compared to $685 million at the end of 2006 and $588 million at the end of 2005. The outlook for 2008 remains positive.

- **Strategic initiatives for 2018.** During the year, we continued to develop our 2018 strategic plan. Generally, we expect to continue growing our Company by expanding geographically and adding new or complementary practice areas. As we continue to evolve and mature, we will have a more significant presence outside North America. By 2018 we target to generate up to 20% of our revenue from international work.

Acquisitions

Total consideration for acquisition activity was $150.0 million in 2007 and $18.5 million in 2006. In 2007 we completed the following acquisitions:

- In March 2007, we acquired Nicolson Tamaki Architects Inc., which added 10 staff and supplemented our architecture services in British Columbia, Canada.

- In April 2007, we acquired Vollmer Associates LLP (Vollmer), which added over 600 staff, established a major presence in New York City, and strengthened our engineering, architecture, planning, landscape architecture, and survey services in the transportation sector in the US East.

- In April 2007, we acquired Land Use Consultants, Inc., adding approximately 20 staff to our existing office in Portland, Maine. This acquisition expanded our landscape architecture and planning services in our northern New England region.

- In May 2007, we acquired Geller DeVellis Inc., which added over 50 people to our New England operations and strengthened our landscape architecture, planning, and civil engineering design capabilities.

- In August 2007, we acquired Trico Engineering Consultants, Inc (Trico Engineering), adding approximately 130 staff. This acquisition complemented our presence in Charleston, South Carolina, expanded the depth of our services throughout the southeastern United States, and strengthened our civil engineering, surveying, landscape architecture, and planning capabilities.

- In September 2007, we acquired Chong Partners Architecture, Inc. (Chong Partners), which added approximately 175 staff. The acquisition of this firm, headquartered in San Francisco, California, with additional offices in Sacramento and San Diego, enhanced our modest existing architecture presence in the United States, particularly in California, and provided a foundation for further expansion of our US architecture practice.

- In October 2007, we acquired Woodlot Alternatives, Inc., which added approximately 65 staff to our Maine and New England operations. Woodlot Alternatives, Inc. specialized in natural resource assessment, permitting, and environmental engineering.

- In October 2007, we acquired Neill and Gunter, Incorporated; Neill and Gunter Limited; and Neill and Gunter (Nova Scotia) Limited (the Neill and Gunter companies), which added approximately 650 staff. The acquisition of these companies brought greater depth to our industrial practice, enhanced our operations in New England, and provided access to a new market in Atlantic Canada.

- In November 2007, we acquired Moore Paterson Architects Inc., adding 17 staff. This firm provided architecture, planning, and project management services on Vancouver Island and the Lower Mainland of British Columbia.

- In November 2007, we acquired Murphy Hilgers Architects Inc., Brentcliffe Financial Service Inc., and Dekko Studio Inc., which added approximately 55 staff. The acquisition of these firms expanded our operations in Toronto, Ontario, and provided further depth to our expertise in designing health care, judicial, and retail/commercial facilities.

- In December 2007, we acquired Fuller, Mossbarger, Scott & May Engineers, Inc. (FMSM) and Leestown Leasing, L.L.C., which added 300 staff; created a presence in Kentucky, Ohio, Missouri, and Indiana; and brought a geotechnical engineering capability to our Company.

As a result of our investment in our enterprise management system in 2003 as well as subsequent enhancements, we were able to begin quickly integrating these acquisitions during 2007. We will continue our integration activities in 2008.

Selected Annual Information

We have demonstrated strong, sustainable financial growth in the last three years as highlighted in the trending of the annual information below:

	Selected Annual Information		
	2007	2006	2005
	(In millions of Canadian dollars, except per share and share amounts)		
Gross revenue (note 1)	954.6	816.1	618.0
Net income	69.3	60.2	40.6
Earnings per share – basic	1.52	1.34	1.02
Earnings per share – diluted	1.50	1.31	0.99
Cash dividends declared per common share	Nil	Nil	Nil
Total assets	813.6	634.5	628.8
Total long-term debt	96.1	16.2	86.7
Outstanding common shares – as at December 31	45,698,143	45,201,785	44,626,262
Outstanding common shares – as at February 20, 2008	45,637,125		
Outstanding share options – as at December 31	1,751,022	1,702,784	1,876,528
Outstanding share options – as at February 20, 2008	1,691,494		

note 1: The term gross revenue is defined in the Critical Accounting Estimates, Developments, and Measures section of this Management's Discussion and Analysis.
note 2: Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

The 11 acquisitions completed in 2007, the three completed in 2006, and the three completed in 2005 contributed to our year-over-year growth in gross revenue, net income, and basic and diluted earnings per share. As well, internal growth contributed $47.1 million to the $138.5 million increase in gross revenue in 2007 compared to 2006.

Balance Sheet. Our balance sheet remained strong in 2007 as shareholders' equity increased $31.8 million as further described in the Shareholders' Equity section below. Our total assets increased by $179.1 million from 2006 to 2007. This increase was mainly due to an increase of $81.4 million in goodwill, $65.0 million in accounts receivable and in costs and estimated earnings in excess of billings, $23.1 million in property and equipment, and $9.5 million in intangible assets. These items increased due to internal growth and growth from acquisitions during the year.

During the third quarter of 2007, we conducted our annual goodwill impairment review. The review concluded that there was no impairment of goodwill.

Our total assets increased by $5.7 million from 2005 to 2006. A $15.8 million decrease in current assets was offset by a $21.5 million increase in non-current assets. The decrease in current assets was mainly due to a reduction in restricted cash used to fund acquisitions in 2006, the repayment of acquired debt, and the payment of promissory notes for acquisitions completed in prior years. The increase in non-current assets was mainly due to an $8.8 million increase in goodwill and a $6.5 million increase in property and equipment resulting from internal growth and growth through acquisitions during the year.

Our total liabilities increased by $147.3 million from 2006 to 2007 mainly due to a $43.9 million increase in our revolving credit facility from $8.2 million at December 31, 2006, to $52.1 million at December 31, 2007, in order to finance the acquisitions completed in 2007. In addition, accounts payable and accrued liabilities increased $47.9 million from 2006 to 2007 due to internal growth and growth through acquisitions during the year.

Our total liabilities decreased $57.2 million from 2005 to 2006 mainly due to the reduction of our revolving credit facility from $79.0 million at December 31, 2005, to $8.2 million at December 31, 2006. We were able to repay our credit facility from cash generated from operations during the year.

Results 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			Percentage Increase*	
	2007	2006	2005	2007 vs. 2006	2006 vs. 2005
Gross revenue	114.9%	115.3%	117.8%	17.0%	32.1%
Net revenue	100.0%	100.0%	100.0%	17.4%	35.0%
Direct payroll costs	43.3%	43.0%	44.7%	18.2%	29.9%
Gross margin	56.7%	57.0%	55.3%	16.7%	39.1%
Administrative and marketing expenses	42.3%	41.3%	40.6%	20.3%	37.1%
Depreciation of property and equipment	2.3%	2.2%	2.4%	22.4%	26.0%
Amortization of intangible assets	0.5%	0.9%	0.5%	(39.3%)	141.2%
Net interest expense	0.2%	0.3%	0.1%	(15.8%)	231.3%
Share of income from associated companies	0.0%	(0.1%)	0.0%	50.0%	52.4%
Foreign exchange gains	(0.3%)	0.0%	(0.1%)	n/m	(83.5%)
Other income	(0.2%)	(0.2%)	(0.1%)	(20.0%)	319.8%
Income before income taxes	11.9%	12.6%	11.9%	10.9%	43.1%
Income taxes	3.6%	4.1%	4.2%	2.1%	33.7%
Net income	8.3%	8.5%	7.7%	15.1%	48.2%

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

n/m = not meaningful

Our gross and net revenue grew at a lower rate during 2007 than during 2006 mainly due to the smaller size of the acquisitions that occurred in the second half of 2005 and in the first two quarters of 2006. In particular, the acquisition of the Keith Companies, Inc. (Keith) completed in September 2005 added over 850 people to our Company. In 2007 administrative and marketing expenses grew at greater rates than the rate of growth in revenue as further explained in the Administrative and Marketing Expenses section below. This was offset by declines in the amortization of intangible assets and net interest expense, which are further explained in their respective sections.

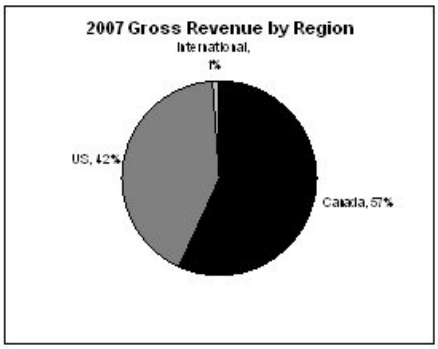
Gross and Net Revenue

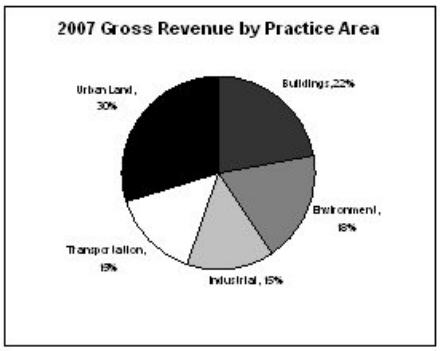
The following table summarizes the impact of acquisitions, internal growth, and foreign exchange on our gross and net revenue for 2007 compared to 2006 and for 2006 compared to 2005. For definitions of gross and net revenue, refer to the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this discussion and analysis. Revenue earned by acquired companies in the first 12 months after the acquisition is reported as revenue from acquisitions.

Gross Revenue	2007 vs. 2006	2006 vs. 2005
	(In millions of Canadian dollars)	
Increase (decrease) due to:		
Acquisitions growth	109.1	165.4
Internal growth	47.1	46.7
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(17.7)	(14.0)
Total increase over prior year	138.5	198.1

Net Revenue	2007 vs. 2006	2006 vs. 2005
	(In millions of Canadian dollars)	
Increase (decrease) due to:		
Acquisitions growth	92.0	148.7
Internal growth	46.5	46.8
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(15.5)	(12.2)
Total increase over prior year	123.0	183.3

Gross revenue earned in Canada during 2007 increased to $539.3 million from $461.3 million in 2006 and $380.5 million in 2005. Gross revenue generated in the United States in 2007 increased to $405.2 million compared to $348.0 million in 2006 and $233.4 million in 2005. Gross revenue earned outside Canada and the United States in 2007 was $10.1 million compared to $6.8 million in 2006 and $4.1 million in 2005. The increase in revenues in both our US- and Canadian-based operations was positively impacted by the acquisitions completed in 2007 and 2006.





The following table summarizes our gross revenue by practice area for 2007, 2006, and 2005:

Practice Area Gross Revenue	2007	% of Consulting Services Gross Revenue	% Change 2007 vs. 2006	2006	% of Consulting Services Gross Revenue	% Change 2006 vs. 2005	2005	% of Consulting Services Gross Revenue
	(millions of C$)			*(millions of C$)*			*(millions of C$)*	
Buildings	211.8	22.2%	15.0%	184.2	22.6%	25.0%	147.4	23.9%
Environment	175.9	18.4%	17.7%	149.4	18.3%	44.5%	103.4	16.7%
Industrial	139.0	14.6%	46.6%	94.8	11.6%	39.8%	67.8	11.0%
Transportation	143.1	15.0%	35.0%	106.0	13.0%	17.0%	90.6	14.6%
Urban Land	284.8	29.8%	1.1%	281.7	34.5%	34.9%	208.8	33.8%
Total Consulting Services	954.6	100.0%	17.0%	816.1	100.0%	32.1%	618.0	100.0%

As indicated above, our gross revenue was impacted by acquisitions, net internal 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 is summarized below:

	2007 Compared to 2006			
Practice Area Gross Revenue	Total Change	Change Due to Acquisitions	Change Due to Internal Growth	Change Due to Foreign Exchange
		(In millions of Canadian dollars)		
Buildings	27.6	17.2	11.7	(1.3)
Environment	26.5	13.1	17.5	(4.1)
Industrial	44.2	11.8	33.8	(1.4)
Transportation	37.1	35.8	4.2	(2.9)
Urban Land	3.1	31.2	(20.1)	(8.0)
Total Consulting Services	138.5	109.1	47.1	(17.7)

	2006 Compared to 2005			
	Total Change	Change Due to Acquisitions	Change Due to Internal Growth	Change Due to Foreign Exchange
		(In millions of Canadian dollars)		
Buildings	36.8	38.7	(0.3)	(1.6)
Environment	46.0	32.6	15.7	(2.3)
Industrial	27.0	8.9	19.9	(1.8)
Transportation	15.4	11.7	6.6	(2.9)
Urban Land	72.9	73.5	4.7	(5.3)
Total Consulting Services	198.1	165.4	46.6	(13.9)

The following summarizes the acquisitions completed from 2006 to 2007 that affected the acquisition growth of each of our practice areas:

- Buildings: Carinci Burt Rogers Engineering, Inc. (March 2006); Dufresne-Henry, Inc. (April 2006); Nicolson Tamaki Architects Inc. (March 2007); Vollmer Associates LLP (April 2007); Chong Partners Architecture, Inc. (September 2007); Neill and Gunter companies (October 2007); Moore Paterson Architects Inc. (November 2007); and Murphy Hilgers Architects Inc., Brentcliffe Financial Services Inc., and Dekko Studio Inc. (November 2007)

- Environment: Dufresne-Henry, Inc. (April 2006); Vollmer Associates LLP (April 2007); Trico Engineering Consultants Inc. (August 2007); Woodlot Alternatives, Inc. (October, 2007); and Neill and Gunter companies (October 2007)

- Industrial: Dufresne-Henry, Inc. (April 2006) and Neill and Gunter companies (October 2007)

- Transportation: Dufresne-Henry, Inc. (April 2006); ACEx Technologies, Inc. (May 2006); Vollmer Associates LLP (April 2007); and Neill and Gunter companies (October 2007)

- Urban Land: Dufresne-Henry, Inc. (April 2006); Vollmer Associates LLP (April 2007); Land Use Consultants, Inc. (April 2007); Geller DeVellis Inc. (May 2007); and Trico Engineering Consultants Inc. (August 2007)

All of our practice areas generate a portion of their gross revenue in the United States. The strengthening of the Canadian dollar against the US dollar in 2007 compared to 2006 and in 2006 compared to 2005 had a negative impact on the change in gross revenue by practice area year over year. The average exchange rate for the Canadian dollar relative to the US dollar increased by approximately 5.7% from 2006 to 2007 (US$0.88 to US$0.93) and by 6.0% from 2005 to 2006 (US$0.83 to US$0.88).

2007 versus 2006

Buildings. Gross revenue for the Buildings practice area grew by 15.0% from 2006 to 2007. Of the $27.6 million increase in gross revenue in 2007, $17.2 million was due to acquisitions, and $11.7 million was due to internal growth, offset by a foreign exchange impact of $1.3 million. This year was, historically, the strongest year for the Buildings practice area as it continued to secure significant projects and to experience consistently high project volumes. Activity was especially strong in western Canada in both the public and private sectors. For example, in 2007 we secured a contract to provide architecture; planning; landscape architecture; and structural, mechanical, electrical, civil, and transportation engineering services for the development of a 16.2-hectare (40-acre) greenfield site for a new 300-bed acute care hospital in Grand Prairie, Alberta. We also completed an award-winning design of an expansion of the Vancouver International Airport in British Columbia. With a growing presence and project volumes in the United States, we were awarded an assignment to provide design solutions for a renovation of the Sheraton New York Hotel and Towers in New York City. To assist in meeting increased demand for staff, the practice area continued to make use of work-sharing initiatives across the Company in 2007.

We believe that the outlook for our Buildings practice area remains optimistic. With top-tier architecture and buildings engineering practices in Canada, we expect to enhance our architecture presence in the United States, particularly in California, through the integration of Chong. We also expect this acquisition to be a catalyst for future expansion of our US operations in both architecture and buildings engineering.

Environment. Gross revenue for the Environment practice area grew by 17.7% from 2006 to 2007. Of the $26.5 million increase in gross revenue in 2007, $13.1 million was due to acquisitions, and $17.5 million was due to internal growth, offset by a foreign exchange impact of $4.1 million. The strength demonstrated by the Environment practice area in 2007 was primarily due to the strong economy in western Canada, the procurement of additional work in the public sector in eastern Canada, and development as a top-tier provider of environmental infrastructure expertise in certain areas of Canada and the United States, which gave us the ability to secure larger and more complex projects. For example, in 2007 we completed the design work for the Seymour-Capilano Water Filtration Plant in North Vancouver, British Columbia, which will be the largest greenfield water treatment facility in North

America. The project has achieved Leadership in Energy and Environmental Design Gold certification. During the year, the practice area also continued to improve its operating effectiveness in the US East in terms of client selection, project management, and sales efficiency. Continuing concerns in the US West about the inadequacy of existing water supplies due to drought conditions, as well as legal and regulatory activities, translated into new projects in the areas of water supply master planning and water supply facility development, including groundwater, surface water, and recycled water systems.

As backlog continues to grow, the outlook for this practice area for 2008 remains optimistic. With the acquisition of Woodlot Alternatives, Inc. and FMSM in 2007 and of R.D. Zande in January 2008, we established a top-tier presence in the US East in ecosystem restoration capabilities, permitting and compliance for energy projects, integrated watershed management, and urban wet weather infrastructure engineering. The integration of FMSM also brings a new practice in geotechnical engineering specializing in complex subsurface investigation, bridge foundation analysis, and dam and levee design for clients such as the U.S. Army Corps of Engineers. In addition, we believe that opportunities for this practice area will remain positive into 2008 due to the continuing need to rehabilitate or replace aging and inadequate infrastructure, population growth in the United States, and the ongoing regulation of communities' wet weather storm discharges.

Industrial. Gross revenue for the Industrial practice area grew by 46.6% from 2006 to 2007. Of the $44.2 million increase in gross revenue in 2007, $11.8 million was due to acquisitions, and $33.8 million was due to internal growth, offset by a foreign exchange impact of $1.4 million. The strong internal growth was primarily due to projects secured as a result of the strong economy in Canada, especially in western Canada. In 2007 the Industrial practice area continued to provide services for the development of facilities and infrastructure in support of major projects in British Columbia and Alberta. For example, we continued to work with an international pipeline company, providing engineering design services for major tank terminal facilities. We also secured an assignment to develop facilities and infrastructure for the Athabasca Upgrader in northern Alberta for Total E&P Canada Ltd. In addition, we were selected as one of six firms to complete various projects for the Department of National Defence across Canada over the next five years. This agreement is starting to translate into assignments for our Company. For example, in Q4 07 we secured an assignment to complete the preliminary design and planning of the C-17 hanger at Canadian Forces Base Trenton in Ontario. The revenue from our bio/pharmaceuticals practice continued to grow in 2007 as we completed our work on the development of a world-class oral solid dosage manufacturing facility for Wyeth Pharmaceuticals in Puerto Rico.

We expect the growth in revenue for our Industrial practice area to continue into 2008 as we integrate approximately 650 staff from the Neill and Gunter companies. With the addition of these companies, we believe that the practice area will become a stronger player in the power sector and be better positioned to take on larger projects. The practice area continues to market its expertise to capture more projects in the power transmission and distribution sector as well as opportunities that may arise from an expected increase in construction activity related to the focus on renewable and sustainable energy initiatives (i.e., ethanol, biomass, wind, and solar energy) in North America. The practice area also continues to position itself in the energy and resources sector by pursuing more of the support facilities and infrastructure segment of projects. In addition, given the aging population in North America, we remain optimistic for continued opportunities in the biopharmaceutical sector. Competition for qualified staff, especially in western Canada, is expected to continue into 2008.

Transportation. Gross revenue for the Transportation practice area grew by 35.0% from 2006 to 2007. Of the $37.1 million increase in gross revenue in 2007, $35.8 million was due to acquisitions, and $4.2 million was due to internal growth, offset by a foreign exchange impact of $2.9 million. Through acquisitions and internal growth, our Transportation practice area established a more significant presence in the US East in 2007. In particular, the acquisition of Vollmer in Q2 07 assisted our US East operations in securing new projects during the year. Partly fueled by public concern over infrastructure deficiencies, funding for transportation projects remained strong at all levels of government in 2007, which continued to translate into contracts for our Company. For example, during the year, we secured assignments to provide system integration analysis and planning services for several light rail transit projects in the southern United States. Highlights for our Canadian operations in 2007 were the completion of the southeast leg of Anthony Henday Drive—Edmonton, Alberta's ring road—and of improvements to the TransCanada Highway through the challenging terrain of Kicking Horse Canyon in British Columbia. Although some projects have been delayed due to increases in construction costs, the outlook for our Transportation practice area remains positive for 2008.

Urban Land. Gross revenue for the Urban Land practice area grew by 1.1% from 2006 to 2007. Of the $3.1 million increase in gross revenue in 2007, $31.2 million was due to acquisitions, offset by a foreign exchange impact of $8.0 million and a decline in revenue from internal growth of $20.1 million. We offer urban land services primarily in three core regions—Alberta and Ontario in Canada and California in the United States—and these operations accounted

for approximately 68.8% of our urban land business in 2007. In addition, we have a modest urban land presence in Arizona, Nevada, Utah, Colorado, North Carolina, and Georgia and a small presence in other Canadian markets. Our recent acquisitions in the US Northeast have increased our presence in New England and the Tri-State (New York, New Jersey, and Connecticut) area, and the addition of Trico has strengthened our presence in the southeastern United States and expanded our services further into the coastal areas of the Carolinas.

Revenue for the Urban Land practice area in 2007 was impacted by a decline in housing starts in various parts of the United States, particularly California, offset by an increase in starts in Alberta, Canada. Single-family housing starts in the United States declined in 2007 to the lowest level in the last 15 years. Although acquisitions in 2007 added employees to the practice area, certain of our urban land operations in the United States decreased their staff levels during the year in reaction to the market conditions, resulting in less revenue generated from these operations in 2007 compared to 2006.

The National Association of Home Builders in the United States forecasts that US single-family housing starts will continue to decline in 2008. To mitigate the impact of this decline in activity, we continue to take advantage of work-sharing opportunities by using US-based staff to complete Canadian projects. In addition, we will continue to monitor our short-term backlog and manage our staff levels to match the amount of work available.

2006 versus 2005

Buildings. Gross revenue for the Buildings practice area grew by 25.0% from 2005 to 2006. Of the $36.8 million increase in gross revenue in 2006, $38.7 million was due to acquisitions, offset by a decline in internal growth of $0.3 million and a foreign exchange impact of $1.6 million. In 2006 the Buildings practice area continued to secure larger projects and to experience higher project volumes. In particular, the practice area was very active in western Canada, resulting in a strong backlog. For example, in Q3 06 we secured a multimillion-dollar contract to provide mechanical, electrical, and civil engineering services for the development of an acute care hospital facility—the Legacy project—in Vancouver, British Columbia. In addition, in 2006 we were awarded a multimillion-dollar contract to design a three-module, campus-style facility for a banking institution in Calgary, Alberta. To assist in meeting increased demand for services in 2006, the practice area made use of work-sharing initiatives across the Company.

Environment. Gross revenue for the Environment practice area grew by 44.5% from 2005 to 2006. Of the $46.0 million increase in gross revenue in 2006, $32.6 million was due to acquisitions, and $15.7 million was due to internal growth, offset by a foreign exchange impact of $2.3 million. The Environment practice area remained strong due to larger projects, higher labor utilization rates, and the strong economy in western Canada.

Industrial. Gross revenue for the Industrial practice area grew by 39.8% from 2005 to 2006. Of the $27.0 million increase in gross revenue in 2006, $8.9 million was due to acquisitions, and $19.9 million was due to internal growth, offset by a foreign exchange impact of $1.8 million. The revenue earned from the industrial practice acquired from the Keith acquisition accounted for $8.1 million of the acquisition growth. The internal growth in 2006 was primarily due to securing projects in the oil sands sector in western Canada. For example, in 2006 we completed a multimillion-dollar contract to provide services for the development of facilities and infrastructure for the Fort Hills Oil Sands project in northern Alberta.

Transportation. Gross revenue for the Transportation practice area grew by 17.0% from 2005 to 2006. Of the $15.4 million increase in gross revenue in 2006, $11.7 million was due to acquisitions, and $6.6 million was due to internal growth, offset by a foreign exchange impact of $2.9 million. The implementation of the six-year, US$286.4 billion Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) signed on August 10, 2005, increased the funds available for transportation projects, which started to translate into contracts for our Company in 2006. For example, during the year, we renewed a five-year, $11 million contract with the U.S. Department of Transportation to conduct long-term pavement performance studies.

Urban Land. Gross revenue for the Urban Land practice area grew by 34.9% from 2005 to 2006. Of the $72.9 million increase in gross revenue in 2006, $73.5 million was due to acquisitions, and $4.7 million was due to internal growth, offset by a foreign exchange impact of $5.3 million. The Keith and Dufresne-Henry, Inc. acquisitions increased our presence in the urban land market in the United States. During 2006, we offered urban land services primarily in Alberta, southern Ontario, and California and had a more modest presence in Arizona, Nevada, Utah, Colorado, North Carolina, and Florida and a small presence in other Canadian and eastern US markets. Our three core regions, which accounted for approximately 75% of our business, were stable or experienced moderate declines in housing starts. Due to our strong market position in these regions, the overall performance of our Urban Land practice area was strong in 2006.

Gross Margin

For a definition of gross margin, refer to the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section below. Gross margin decreased to 56.7% in 2007 from 57.0% in 2006 and increased from 55.3% in 2005 to 57.0% in 2006. Our gross margir for 2007 fell within the anticipated range of 55 to 57% set out in our 2006 Annual Report. Fluctuations in gross margin from year to year depend on the mix of projects in progress during any year. These fluctuations reflect 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. In addition, the decline in our gross margin percentage from 2006 to 2007 was partially due to an increase in the revenue earned by the Transportation practice area in the United States compared to Canada. Gross margins on transportation projects in the United States are typically lower than gross margins on transportation projects in Canada.

The increase in our gross margin percentage from 2005 to 2006 was due to

- Improved markets for our services with corresponding increases in fee rates
- Improved project management through enhanced staff training and support systems. This improvement was achieved through the expansion of our on-line Learning Resource Center during 2006 with updated content and in-house programs and training in project and financial management.
- The implementation of an improved system for invoicing project-related administrative costs in 2005. Following this implementation, we continued to reflect these recoveries as part of revenue, but we now report the costs in administrative and marketing expenses. This contributed to both the increased gross margin and the increased administrative and marketing expenses in 2006.

The following table summarizes our gross margin percentages by practice area for 2007, 2006, and 2005:

Practice Area Gross Margin	**2007**	**2006**	**2005**
Buildings	57.7%	57.3%	55.9%
Environment	58.4%	58.1%	56.6%
Industrial	51.2%	50.4%	49.2%
Transportation	53.8%	55.7%	56.1%
Urban Land	58.5%	58.6%	56.1%

Our gross margin percentages improved in all practice areas with the exception of a decline in the Transportation practice area from 2005 to 2007 and a decline in the Urban Land practice area from 2006 to 2007. These decreases can be attributed to the same factors discussed above about the overall decline in our gross margin percentage in 2007.

Administrative and Marketing Expenses

Our administrative and marketing expenses increased $59.3 million from 2006 to 2007. As a percentage of net revenue, our administrative and marketing expenses were 42.3% in 2007 compared to 41.3% in 2006, slightly above our expected range of 40 to 42%. The increase was mainly due to integration activities during the year. In the months following the completion of an acquisition, there can be an increase in staff time charged to administration and marketing due to systems integration and the orientation and integration of newly acquired staff. In 2007 we integrated staff from the 11 acquisitions completed during the year. The largest acquisitions completed in 2007 were of the Neill and Gunter companies, with 650 employees, and Vollmer, with 600 employees. Administrative and marketing expenses were also affected by the following:

- A $7.6 million increase in bad debt expense in 2007 compared to 2006. Our allowance for doubtful accounts is an estimate that is subject to measurement uncertainty. We adjust the provision quarterly based on historical experience.
- An increase in the accrual of performance and retention bonuses arising from acquisitions to $5.2 million in 2007 from $3.2 million in 2006

Administrative and marketing expenses as a percentage of net revenue were 41.3% in 2006 compared to 40.6% in 2005. This increase was mainly due to $3.2 million of performance and retention bonuses arising from acquisitions completed in 2006 and prior years. As well, when we implemented an improved system for invoicing project-related administrative costs in 2005, we continued to reflect these recoveries as part of revenue, but we now report the costs in administrative and marketing expenses. This change in reporting has contributed to both our increased gross margin percentage and increased administrative and marketing expenses in 2006. The 41.3% in 2006 was within the expected range of 40 to 42% set out in our 2005 Annual Report.

Our administrative and marketing expenses may fluctuate from year to year as a result of the amount of non-billable staff time allocated to administration and marketing, which is influenced by the ratio of work carried out on proposals and other non-billable administrative and marketing activities during the year.

Depreciation of Property and Equipment

Depreciation of property and equipment as a percentage of net revenue was 2.3% in 2007, 2.2% in 2006, and 2.4% in 2005. The $3.4 million increase in depreciation from 2006 to 2007 and the $3.2 million increase in depreciation from 2005 to 2006 were primarily due to the addition of property and equipment from acquisitions made in the year.

Amortization of Intangible Assets

The timing of completed acquisitions, the size of acquisitions, and the type of intangible assets acquired affect the amount of amortization of intangible assets in each year. Client relationships and other intangible assets are amortized over estimated useful lives ranging from 10 to 15 years, whereas contract backlog is amortized over an estimated useful life of generally less than one and a half years. As a result, the impact of the amortization of contract backlog can be significant in the two to six quarters following an acquisition. The following table summarizes the amortization of identifiable intangible assets:

	2007	2006	2005
	(In thousands of Canadian dollars)		
Amortization of client relationships	2,384	2,401	1,050
Amortization of backlog	974	3,508	1,349
Other	344	223	143
Total amortization of intangible assets	3,702	6,132	2,542

The decrease of $2.4 million between 2006 and 2007 was primarily due to the backlog balances of Keen Engineering Co. Ltd. (Keen) and CPV Group Architects & Engineers Ltd. (CPV) being fully amortized at the end of 2006 and to the backlog balances of Keith being fully amortized at the beginning of Q2 07. During 2007, $16.1 million in intangible assets was established as a result of the 11 acquisitions completed in the year, of which $1.0 million was amortized in 2007.

The increase of $3.6 million between 2005 and 2006 was primarily due to the intangible assets acquired from the Keith, Keen, and CPV acquisitions in September and October of 2005. Of the $6.1 million amortized in 2006, $4.1 million was related to the Keith acquisition.

Net Interest Expense

The $298,000 decrease in net interest expense in 2007 compared to 2006 was a result of our long-term debt position throughout the second, third, and most of the fourth quarter of 2007 being lower than in 2006, offset by higher interest rates in the first three quarters of 2007 compared to the same period in 2006. Near the end of the fourth quarter of 2007, our long-term debt position exceeded our 2006 position since we accessed our revolving credit facility to finance acquisitions. At December 31, 2006, we had used $8.2 million of our credit facility, and at December 31, 2007, we had used $52.1 million. Depending on the form under which the credit facility is accessed and certain financial covenant calculations, rates of interest may vary among Canadian prime, US base rate, or LIBOR or bankers' acceptance rates plus 65 or 85 basis points. Our average interest rate was 5.51% at December 31, 2007, compared to 6.0% at December 31, 2006. We estimate that, based on our loan balance at December 31, 2007, a 1% change in interest rates would impact our annual earnings per share by less than $0.01.

The increase of $1.3 million in net interest expense in 2006 compared to 2005 was a result of our long-term debt balance throughout the first two quarters of 2006 being higher than in the same period in 2005 and the prevailing interest rates in 2006 being higher than in 2005. Near the end of the third quarter of 2005, we accessed our revolving credit facility to finance the Keith acquisition. In 2006 we repaid our credit facility using cash generated from operations. Our average interest rate was 6.0% at December 31, 2006, compared to 4.34% at December 31, 2005.

Foreign Exchange Gains

We reported a foreign exchange gain of $2.5 million in 2007 compared to $0.1 million in 2006 and $0.4 million in 2005. These foreign exchange gains 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 exchange gains reported from 2005 to 2007 arose on transactions related to the financing of acquisitions. By entering into these transactions, there was a period when our US-dollar-denominated liabilities exceeded our US-dollar-denominated assets while the Canadian dollar strengthened, resulting in exchange gains. In 2007 the exchange rate rose from US$0.86 at the beginning of the year to US$1.01 at the end of the year.

As at December 31, 2007, we had entered into a foreign currency forward contract that provided for the purchase of US$34.1 million on January 24, 2008, at the rate of 0.9804 per US dollar. The fair value of this contract, estimated using market rates at December 31, 2007, was a gain of $0.4 million.

Income Taxes

Our effective income tax rate for 2007 was 30.1% compared to 32.7% for 2006 and 35.0% for 2005. Our 2007 effective tax rate fell below the expected range of 32.0 to 34.0% set out in our 2006 Management's Discussion and Analysis. We review our estimated income tax rate quarterly and adjust it based on changes in statutory rates in the jurisdictions in which we operate as well as on our estimated earnings in each of these jurisdictions. Based on these factors, in Q3 07 we estimated that our effective tax rate would be 33%. During Q4 07, the following items reduced our effective rate to 30.1% for the year:

- We earned more income in Canada than anticipated, and after deducting internal financing costs, we incurred losses in our US-based subsidiaries. Since our Canadian income is taxed at lower income tax rates than income earned in the United States, the impact of this shift in income reduced our overall effective tax rate.

- In 2006 the Quebec government enacted Bill 15 to amend the Quebec Taxation Act, legislation that retroactively eliminated the benefit of certain financing trust arrangements. Subsequent to year-end, we accepted a compliance proposal from the Canadian Revenue Agency related to this retroactive legislation. This proposal resulted in a reduction of approximately $662,000 of tax, which we recorded as an additional expense in 2006.

- Income tax rate reductions were enacted in certain of our tax jurisdictions. Since we were in a net future income tax liability position in these jurisdictions, these reductions in carrying value resulted in a recovery of future taxes.

Our effective tax rate for 2006 was 32.7% compared to 35.0% for 2005. As a result of the Quebec government enacting Bill 15 as described above, we recorded an additional $1.0 million of income tax expense in Q2 06. The impact of this increase was offset by the relative amount of income earned in our low tax rate jurisdictions, resulting in an effective income tax rate that was below the middle of our expected range for 2006.

Fourth Quarter Results and Quarterly Trends

The following is a summary of our quarterly operating results for the last two fiscal years:

	Quarterly Operating Results							
	(In millions of Canadian dollars, except per share amounts)							
	2007				2006			
	Dec 31	**Sep 30**	**Jun 30**	**Mar 31**	**Dec 31**	**Sep 30**	**Jun 30**	**Mar 31**
Gross revenue	258.3	235.3	244.7	216.3	211.8	210.2	208.8	185.3
Net revenue	215.9	207.0	215.7	192.3	180.6	182.0	182.2	163.1
Net income	19.0	17.4	17.5	15.4	15.6	16.5	16.7	11.4
EPS – basic	0.42	0.38	0.38	0.34	0.35	0.36	0.37	0.25
EPS – diluted	0.41	0.38	0.38	0.33	0.34	0.36	0.36	0.25

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 *:*

	Q4 07 vs. Q4 06	**Q3 07 vs. Q3 06**	**Q2 07 vs. Q2 06**	**Q1 07 vs. Q1 06**
	(In millions of Canadian dollars)			
Increase (decrease) in gross revenue due to:				
Acquisition growth	46.5	27.4	22.3	12.9
Internal growth	11.6	3.5	15.2	16.8
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(11.6)	(5.8)	(1.6)	1.3
Total increase in gross revenue	46.5	25.1	35.9	31.0

Fourth Quarter Results

As indicated in the tables above, during Q4 07, our gross revenue increased by $46.5 million, or 22.0%, to $258.3 million compared to $211.8 million for the same period in 2006. Approximately $46.5 million of this increase resulted from acquisitions completed in 2006 and 2007 and internal growth of $11.6 million, offset by a foreign exchange impact of $11.6 million due to the strengthening of the Canadian dollar during 2007.

The following table summarizes our key operating results for Q4 07 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 Dec 31		
	% of Net Revenue		% Increase*
	2007	2006	2007 vs. 2006
Gross revenue	119.6%	117.3%	22.0%
Net revenue	100.0%	100.0%	19.5%
Direct payroll costs	42.5%	41.7%	21.9%
Gross margin	57.5%	58.3%	17.8%
Administrative and marketing expenses	43.5%	43.4%	19.8%
Depreciation of property and equipment	2.7%	2.4%	39.5%
Amortization of intangible assets	0.5%	0.7%	(15.4%)
Net interest expense	0.4%	0.0%	n/m
Share of income from associated companies	(0.1%)	(0.1%)	0.0%
Foreign exchange gains	(0.5%)	0.0%	n/m
Other income	(0.1%)	(0.1%)	200.0%
Income before income taxes	11.1%	12.0%	10.6%
Income taxes	2.3%	3.4%	(18.0%)
Net income for the period	8.8%	8.6%	21.8%

* % increase calculated based on the dollar change from the comparable period
n/m = not meaningful

Net income during Q4 07 increased by $3.4 million, or 21.8 %, from the same period in 2006. Basic earnings per share in Q4 07 increased by $0.07, or 20.0%, compared to the same period in Q4 06. Net income during Q4 07 was positively affected by the growth in gross revenue and a $1.1 million decline in income tax expense. Our income tax expense in Q4 07 was positively impacted by the enacted reduction in income tax rates in certain of our tax jurisdictions and the recovery of income tax previously provided for as a result of the Quebec tax settlement. In addition, we earned more income in Canada than anticipated, and after deducting internal financing costs, we incurred losses in our US-based subsidiaries. Since our Canadian income is taxed at lower income tax rates than income earned in the United States, the impact of this shift in income reduced our overall effective tax rate.

Net income in Q4 07 compared to Q4 06 was negatively impacted by a $15.5 million increase in administrative and marketing expenses due to our focus on the integration of approximately 790 staff from the acquisition of Woodlot Alternatives, Inc., the Neill and Gunter companies, Moore Paterson Architects Inc., Murphy Hilgers Architects Inc., Brentcliffe Financial Services Inc., and Dekko Studio Inc. during the quarter and on the continued integration of staff added through acquisitions during the year. Acquired staff are required to learn new practices and processes and understand new systems, and such a learning curve can result in decreased productivity until the learning is complete. As well, depreciation increased $1.7 million in Q4 07 compared to Q4 06 due to the inclusion of property and equipment from companies acquired in the quarter and year to date.

Our gross margin percentage was 57.5% in Q4 07 compared to 58.3% in Q4 06. Because of 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, there will continue to be fluctuations in our gross margin percentage from period to period depending on the mix of projects during any quarter.

The following table summarizes the growth in gross revenue by practice area in the fourth quarter of 2007 compared to the same period in 2006.

Practice Area Gross Revenue	Quarter Ended December 31					
	2007	2006	Total Change	Change Due to Acquisitions	Change Due to Internal Growth	Change Due to Foreign Exchange
	(In millions of Canadian dollars)					
Buildings	60.5	46.9	13.6	9.9	4.4	(0.7)
Environment	44.2	42.5	1.7	4.1	0.3	(2.7)
Industrial	45.3	27.6	17.7	11.4	7.3	(1.0)
Transportation	40.2	24.9	15.3	9.3	7.8	(1.8)
Urban Land	68.1	69.9	(1.8)	11.8	(8.2)	(5.4)
Total Consulting Services	258.3	211.8	46.5	46.5	11.6	(11.6)

The $11.6 million internal growth in revenue was net of a decline of $8.2 million in the Urban Land practice area. This practice area continued to be impacted by a decline in housing starts in various parts of the United States, particularly California. Although acquisitions in 2007 added employees to this practice area, certain of our urban land operations in the United States decreased their staff levels in Q4 07 in reaction to the weaker market conditions.

Quarterly Trends

During Q1 07, our gross revenue grew by $31.0 million, or 16.7%, to $216.3 million compared to $185.3 million for the same period in 2006. Approximately $12.9 million of this increase resulted from acquisitions completed in 2006, $16.8 million in internal growth, and a $1.3 million positive impact from foreign exchange due to the weaker Canadian dollar in Q1 07 compared to Q1 06. Net income increased by $4.0 million, or 35.1%, in Q1 07 compared to the same period in 2006, and basic earnings per share increased by $0.09 compared to the same period last year. The increase in net income was mainly due to our amortization of intangible assets and net interest expense being lower than in the same period in 2006. As well, our gross margin percentage was higher than anticipated due to the mix and type of projects completed during the quarter.

During Q2 07, our gross revenue increased by $35.9 million, or 17.2%, to $244.7 million compared to $208.8 million for the same period in 2006. Approximately $22.3 million of this increase resulted from acquisitions completed in 2006 and 2007 and $15.2 million in internal growth, offset by $1.6 million in foreign exchange due to the stronger Canadian dollar in Q2 07 compared to Q2 06. Net income increased by $0.8 million, or 4.8%, in Q2 07 compared to the same period in 2006, and basic earnings per share increased by $0.01 compared to the same period last year. Net income did not increase in line with net revenue due to an increase in administrative and marketing expenses in Q2 07 because of our focus on the integration of approximately 670 staff from the acquisition of Vollmer, Land Use Consultants, Inc., and Geller. In addition, we incurred $2.8 million in bad debt expense in Q2 07 compared to Q2 06 as a result of an adjustment to our provision based on historical experience. We also incurred a $2.2 million expense for self-insured professional liabilities claims in Q2 07 versus a $1.0 million recovery in Q2 06. Our claims expense fluctuates based on the results of actuarial reviews as well as the timing of the initiation and settlement of claims.

During Q3 07, our gross revenue increased by $25.1 million, or 11.9%, to $235.3 million compared to $210.2 million for the same period in 2006. Approximately $27.4 million of this increase resulted from acquisitions completed in 2006 and 2007 and $3.5 million in internal growth, offset by $5.8 million in foreign exchange due to the stronger Canadian dollar in Q3 07 compared to Q3 06. Net income increased by $0.9 million, or 5.5%, in Q3 07 compared to the same period in 2006, and basic earnings per share increased by $0.02 compared to the same period last year. As in Q2 07, net income did not increase in line with net revenue due to an increase in administrative and marketing expenses in Q3 07 due to our focus on the integration of approximately 300 staff from the acquisition of Trico Engineering and Chong Partners during the quarter and on the continued integration of more than 970 staff acquired year to date.

Liquidity and Capital Resources

The following table represents summarized working capital information as at December 31, 2007, compared to December 31, 2006:

	Dec 31, 2007	Dec 31, 2006	Change
	(In millions of Canadian dollars, except ratio)		
Current assets	323.2	264.6	58.6
Current liabilities	(232.7)	(159.7)	(73.0)
Working capital (note 1)	90.5	104.9	(14.4)
Current ratio	1.39	1.66	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.

note 2: Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

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

	2007	2006	2005	$ Change 2007 vs. 2006	$ Change 2006 vs. 2005
			(In millions of Canadian dollars)		
Cash flows from operating activities	87.5	93.4	57.3	(5.9)	36.1
Cash flows used in investing activities	(135.2)	(15.6)	(114.6)	(119.6)	99.0
Cash flows from (used in) financing activities	33.9	(77.4)	47.9	111.3	(125.3)

Our liquidity needs can be met through a variety of sources, including cash generated from operations, long- and short-term borrowings from our $250 million credit facility, and the issuance of common shares. Our primary use of funds is for paying operational expenses, completing acquisitions, and sustaining capital spending on property and equipment.

We believe that internally generated cash flows, supplemented by borrowing from existing financing sources, if necessary, will be sufficient to cover our normal operating and capital expenditures and anticipated acquisition growth activities in 2008. We continue to manage according to our internal guideline of maintaining a debt to equity ratio of less than 0.5 to 1. Confidence in our ability to generate cash from operations was demonstrated by our success in negotiating an increase in the limit of our existing revolving credit facility from $160 to $250 million. As well, we believe that the design of our business model reduces the impact of changing market conditions on our operating cash flows. At this time, we do not reasonably expect any presently known trends or uncertainty to affect our ability to access our historical sources of cash. We do not invest in any asset-backed commercial paper and, therefore, do not consider that we are exposed to current uncertainties in the marketplace.

Working Capital

Our working capital at the end of 2007 was $90.5 million compared to $104.9 million in 2006. Current assets increased by $58.6 million, and current liabilities increased by $73.0 million. The increase in current assets was mainly due to a $41.1 million increase in accounts receivable, net of allowance for doubtful accounts, and a $23.9 million increase in costs and estimated earnings in excess of billings (work in progress). These increases resulted from internal growth and growth from acquisitions during the year and were partly offset by a $14.2 million decrease in cash and cash equivalents used for operating and acquisition purposes.

The $73.0 million increase in current liabilities from 2006 to 2007 was mainly due to a $47.9 million increase in accounts payable and accrued liabilities. This increase was the result of internal growth and growth from acquisitions

during the year. As well, the current portion of long-term debt increased by $17.4 million due to promissory notes used to finance various acquisitions coming due in 2008.

In 2006 our current ratio was higher than in 2007 mainly due to the availability of cash and cash equivalents, which was subsequently drawn down in 2007 for operating and acquisition purposes. As well, in 2006 there were fewer promissory notes from acquisitions becoming due within one year.

Cash Flows From Operating Activities

Our cash flows from operating activities decreased by $5.9 million in 2007 from 2006 and increased by $36.1 million from 2005 to 2006. Our cash flows from operating activities declined in 2007 due to a net decrease of $13.2 million in cash receipts from clients less cash paid to suppliers and employees. In 2006 cash receipts from clients less cash paid to suppliers and employees were high due to additional revenue generated by acquisitions completed in the second half of 2005. The successful integration of these acquisitions resulted in a reduction in our combined investment in accounts receivable and costs and estimated earnings in excess of billings from 101 days of revenue at the end of 2005 to 92 days at the end of 2006. In 2007 our combined investment in accounts receivable and costs and estimated earnings in excess of billings was 94 days of revenue.

Positively impacting our operating cash flows in 2007 was a $3.9 million decrease in income taxes paid in 2007 compared to 2006 due to a decrease in the income tax installments required in 2007.

Cash Flows Used In Investing Activities

Cash flows used in investing activities increased by $119.6 million from 2006 to 2007 and decreased by $99.0 million from 2005 to 2006. In 2007 we used $105.4 million to finance the 11 acquisitions completed during the year versus using $12.2 million in 2006 and $100.4 million in 2005. The use of cash and cash equivalents for acquisitions in 2006 was also offset by a drawdown of restricted cash acquired in connection with the Keith acquisition.

Our investment activities in 2007 compared to 2006 also included an $8.4 million increase in purchases of property and equipment. One factor that contributed to this increase was $8.1 million spent on improvements made to our Toronto, Ontario; Markham, Ontario; Vancouver, British Columbia; and Edmonton, Alberta, offices. Our 2006 investment activities increased compared to 2005 due to the use of $2.9 million for improvements to our offices in Vancouver, British Columbia, and Edmonton, Alberta.

As a professional services organization, we are not capital intensive. Our capital expenditures have historically been made primarily for property and equipment including such items as leasehold improvements, computer equipment and business information systems software, furniture, and other office and field equipment. Our cash outflows for property and equipment were $27.3 million, $18.9 million, and $17.0 million in each of 2007, 2006, and 2005, respectively. Our capital expenditures during 2007 were financed by cash flows from operations. We expect our total capital expenditures in 2008 to be in the range of $27 to $30 million, excluding capital acquired from acquisitions.

Cash Flows From (Used In) Financing Activities

Our cash flows from financing activities increased by $111.3 million from 2006 to 2007 and decreased by $125.3 million from 2005 to 2006. In 2007 we generated sufficient cash from our operations to reduce the amount outstanding on our credit facility by $78.5 million and repay $6.3 million of our acquired debt. However, during the year, we also accessed our credit facility for acquisition purposes. As at December 31, 2007, $106.5 million of our credit facility was available for future use. As well, we used $0.3 million to repurchase shares under our normal course issuer bid in 2007. The above use of cash was offset by $1.9 million generated from options exercised during the year.

In 2006 we generated sufficient cash from our operations to reduce the amount outstanding on our credit facility by $85.6 million and repay $1.8 million of our acquired debt. At December 31, 2006, $149.9 million of our credit facility was available for future use. As well, we used $1.0 million to repurchase shares under our normal course issuer bid in 2006. The above use of cash was offset by $1.9 million generated from options exercised during the year.

Our credit facility is available for acquisitions, working capital needs, capital expenditures, and general corporate purposes. Depending on the form under which the credit facility is accessed and certain financial covenant calculations, rates of interest will vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates plus 65 or 85 basis points. The average interest rate on the amounts outstanding at December 31, 2007, was 5.51%. We are subject to financial and operating covenants related to our credit facility. Failure to meet the terms of

one or more of these covenants may constitute a default, potentially resulting in accelerated repayment of the debt obligation. We were in compliance with these covenants as at and throughout the year ended December 31, 2007.

Subsequent to December 31, 2007, we were successful in reaching an agreement with our lenders to increase our revolving credit facility from $160 million to $250 million as further described in the Subsequent Events section below.

Shareholders' Equity

Our shareholders' equity increased by $31.8 million in 2007 and by $62.8 million in 2006. The following table summarizes the reasons for these increases:

	2007	2006
	(In millions of Canadian dollars)	
Beginning shareholders' equity (before change in accounting policy)	410.9	348.1
Change in accounting policy	0.5	0.0
Beginning shareholders' equity	411.4	348.1
Net income for the year	69.3	60.2
Currency translation adjustments	(45.7)	0.7
Shares issued on acquisition	3.4	0.0
Recognition of fair value of stock-based compensation	2.1	1.6
Share options exercised for cash	1.9	1.9
Shares repurchased under normal course issuer bid	(0.3)	(1.0)
Other	0.6	(0.6)
Total change	31.3	62.8
Ending shareholders' equity	442.7	410.9

The change arising on the translation of our US-based subsidiaries in 2007 was $45.7 million compared to $0.7 million in 2006. The change in 2007 was due to the strengthening of the Canadian dollar—from US$0.86 to US$1.01—during the year. In 2006 the Canadian dollar was valued at US$0.86 at both the end and beginning of the year.

In 2007, under our Company's share option plan and as part of our incentive program, our Board of Directors granted 467,500 stock options to various officers and employees of the Company (471,000 options were granted in 2006). These options vest equally over a three-year period and have a contractual life of seven years from the grant date.

Our normal course issuer bid on the TSX was renewed in 2007 and allows us to repurchase up to 2,279,496 of our common shares. 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 2007 we purchased 9,200 common shares at an average price of $31.91 per share for an aggregate price of $0.3 million. In 2006 we purchased 51,600 common shares at an average price of $19.69 per share for an aggregate price of $1.0 million.

In October 2007, we issued 96,925 of our common shares as part of the consideration for the purchase of the Neill and Gunter companies. The $3.4 million in consideration was based on the average of the closing price of our common shares on the TSX for five trading days around the acquisition date.

Other

Outstanding Share Data

As at December 31, 2007, there were 45,698,143 common shares and 1,751,022 share options outstanding. During the period of December 31, 2007, to February 20, 2008, 112,400 shares were repurchased under our normal course issuer bid; 47,862 share options were exercised; 11,666 share options were forfeited; and 3,520 common shares were issued upon the vesting of restricted shares issued on the Keith acquisition. As at February 20, 2008, there were 45,637,125 common shares and 1,691,494 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, other liabilities, and operating lease commitments as of December 31, 2007:

	Payment Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
	(In millions of Canadian dollars)				
Long-term debt	96.1	21.6	74.3	0.1	0.1
Interest on debt	10.8	4.9	5.9	-	-
Other liabilities	3.2	0.5	-	-	2.7
Operating lease commitments	299.2	49.8	86.3	64.4	98.7
Total contractual obligations	409.3	76.8	166.5	64.5	101.5

For further information regarding the nature and repayment terms of our long-term debt, refer to the Cash Flows From Financing Activities section. Our operating lease commitments include obligations under office space rental agreements, and our other liabilities primarily include amounts payable under our deferred share unit plan.

Off-Balance Sheet Arrangements

As of December 31, 2007, we had off-balance sheet financial arrangements relating to letters of credit in the amount of $1.9 million that expire at various dates before October 2009. These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations.

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 as a result of 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.

Market Risk

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

Currency. Because a significant portion of our revenue and expenses is generated or incurred in US dollars, we face the challenge of dealing with 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. In addition, the impact of exchange rates on the balance sheet accounts of subsidiaries located outside Canada and the United States will affect our operating results. We also continue to be exposed to exchange rate risk for the US-dollar and other foreign currency-denominated balance sheet items carried by our Canadian, US, and international operations.

Interest Rate. Changes in interest rates also present a risk to our performance. Our credit facility carries a floating rate of interest. We estimate that, based on our balance at December 31, 2007, a 1% change in interest rates would impact our earnings per share by less than $0.01.

Related-Party Transactions

We have not entered into any related-party transactions as defined in Section 3840 of the Canadian Institute of Chartered Accountants (CICA) Handbook.

OUTLOOK

The following table summarizes our expectations for the coming year:

Measure	Expected Range
Debt to equity ratio *(note 1)*	At or below 0.5 to 1
Return on equity *(note 2)*	At or above 14%
Net income as % of net revenue	At or above 6%
Gross margin as % of net revenue	Between 55 and 57%
Administrative and marketing expenses as % of net revenue	Between 41.5 and 43.5%
Effective income tax rate	Between 29 and 31%

note 1: Debt to equity ratio is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash divided by (2) shareholders' equity.
note 2: Return on equity is calculated as net income for the year divided by average shareholders' equity over each of the last four quarters.

We have revised our targets for our administrative and marketing expenses and for our effective income tax rate for 2008. 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 debt to equity ratio, 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 in North America, our principal area of operation, is large and is estimated to generate over US$70 billion in revenue for our addressable market. The North American market is also diverse, consisting of many technical disciplines, practice areas, client types, and industries in both the private and public sectors. Overall, we expect the outlook for professional services in our key markets and practice areas to remain positive, with continuing robust private and public sector spending on the development of new and the rehabilitation of existing infrastructure. We base this expectation on a variety of factors as described below.

Canada

The outlook for Canada, particularly western Canada, remains strong for 2008. According to the Conference Board of Canada, the Canadian real gross domestic product (GDP) is expected to grow by 2.8% in 2008 and by 3.0% in 2009. We believe that the infrastructure gap will keep spending growth strong in the infrastructure and facilities industry, with 59% of Canada's infrastructure aging beyond the 40-year mark. The following factors are evidence of a positive Canadian outlook for 2008 in areas that directly impact infrastructure spending:

- High energy prices are spurring investment in the oil and gas construction segment in Canada. Much of this investment is in Alberta's oil sands, where spending is estimated to reach $150 billion in the next decade.

- Although the manufacturing industry was negatively affected by the rising Canadian dollar in the last two quarters of 2007, third quarter profit margins for the industry remained healthy at 6.5%. The rising Canadian dollar has supported increased investment in the machinery and equipment sector, which is expected to reach 7.8% in 2008 and to decline slightly to 6.9% in 2009. Both of these factors have helped to ease concerns about the outlook for the manufacturing industry in 2008 and the increased valuation of the Canadian dollar relative to the US dollar. In addition, the federal government's corporate income tax cuts

and accelerated capital consumption allowances for manufacturers have helped to bolster confidence in the industry.

- Governments and the public are becoming increasingly aware of environmental issues as well as sustainable design and development. This awareness includes, for instance, an increased interest in the development of buildings and facilities that require less energy for operation and have a reduced ecological impact, as well as improvements to water, water distribution, and water treatment infrastructure. Recognition of the need for these initiatives has come at the federal level in the Canadian government's new "Building Canada" infrastructure investment plan, which supports infrastructure development with a focus on a cleaner environment and more prosperous communities. The British Columbia government has also announced a $14 billion plan aimed at expanding public transit systems in the province and reducing greenhouse gas emissions. Implementation of this plan is expected to be completed by 2020. It will expand the rapid transit lines in the Greater Vancouver Area and add high-capacity, energy-efficient, and clean-energy buses to transit systems in metropolitan areas across British Columbia. We believe that we are well positioned to capture opportunities in these areas, since we have developed expertise in delivering sustainable design services.

- Expenditures on electricity are expected to increase nationally as investments continue to be made in wind power and the development and maintenance of hydroelectric projects. For instance, the Ontario government has committed to replacing all coal-fired energy generation, which currently makes up 20% of the province's power, in the earliest practical time frame, which is forecasted to be in the next 10 years. Alternatives being proposed include the use of renewable supply methods, nuclear power generation, natural gas power generation, and conservation. The Ontario government has also proposed undertaking a number of transmission projects to strengthen its transmission system and accommodate its power generation goals.

- According to the Canadian Mortgage and Housing Corporation, housing starts are expected to decrease in 2008 but to remain strong by historical standards. Single detached home starts are expected to decrease by 8.1% to 107,500 units, while all residential construction home starts will stay above 200,000 units for the seventh consecutive year.

- The Canadian government's new Building Canada infrastructure plan, announced in 2007, is to provide a long-term investment of $33.0 billion in infrastructure. The program outlines a seven-year plan for infrastructure spending in the areas of transportation, gateways and border crossings, connectivity and broadband technology, water and wastewater, solid waste management, renewable energy, disaster mitigation, brownfield redevelopment, and sports and culture.

United States

The general outlook for the United States is less optimistic due to the declining housing market and the slowdown of the economy. The Congressional Budget Office anticipates in its Budget and Economic Outlook that the US GDP will grow by 1.7% in 2008 due to slower consumer spending brought on by higher energy prices, weak consumer confidence, and higher debt levels. In 2009, with a recovering housing market and strong exports, US GDP growth is expected to strengthen to 2.8%. The following factors support our outlook for 2008:

- The manufacturing industry is expected to be weaker in 2008 as consumer spending decreases and job losses affect the industry. This weakness may be mitigated in part by the expected double-digit growth of US exports due to the weaker US dollar. Although industrial output does appear to be slowing, there are still companies that need to expand their warehousing and manufacturing facilities.

- The implementation of the six-year, US$286.4 billion SAFETEA-LU, which was passed into law on August 10, 2005, continues to support transportation projects.

- The housing market is forecasted to continue to decline in 2008, with seasonally adjusted annual rates of single-family housing starts expected to bottom out at around 780,000 units. This decline is expected to be moderate, and the market is forecasted to begin showing positive growth in 2009. We continue to have a strong market position in the regions we service; however, in 2008 we will continue to monitor our short-term backlog and manage our staff levels to match the amount of work available.

Supported by this overall market outlook for our practice areas, we plan to continue to grow our operations through a combination of internal organic growth and acquisitions. We continue to target to achieve a long-term average

annual compound growth rate of 15 to 20% for gross revenue—a target we have realized since our initial public offering in 1994. Continued growth allows us to enhance the depth of our expertise, broaden our service offerings, provide expanded opportunities for our employees, and lever our information technology and other “back office” systems. Our ability to grow at this rate depends on the availability of acquisition opportunities. To date, locating available acquisition candidates has not been an issue, and we do not expect it to become one since our industry is made up of many small to midsize firms and there is a consolidation trend occurring as smaller firms desire to join larger, more stable organizations. Because it is important to find an appropriate cultural fit and complementary services, the process of courting an acquisition can extend over months or even years. Consequently, at any one time we are engaged in discussions with as many as 30 or more firms.

We expect to support our targeted level of growth using a combination of cash flows from operations and additional financing.

CRITICAL ACCOUNTING ESTIMATES, DEVELOPMENTS, AND MEASURES

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with Canadian GAAP, which require us to make various estimates and assumptions. The notes to our December 31, 2007, 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. Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method based on the ratio of contract costs incurred to total estimated contract costs. We believe that costs incurred are the best available measure of progress toward completion of these contracts. Estimating total direct contract costs is subjective and requires the use of our best judgments based upon the information we have available at that point in time. Our estimate of total direct contract costs has a direct impact on the revenue we recognize. If our current estimates of total direct contract costs turn out to be higher or lower than our previous estimates, we would have over- or underrecognized revenue for the previous period. We also provide for estimated losses on incomplete contracts in the period in which such losses are determined. Changes in our estimates are reflected in the period in which they are made and would affect our revenue and cost and estimated earnings in excess of billings.

Goodwill. Goodwill is assessed for impairment at least annually. This assessment includes a comparison of the carrying value of the reporting unit to the estimated fair value to ensure that the fair value is greater than the carrying value. We arrive at the estimated fair value of a reporting unit using valuation methods such as discounted cash flow analysis. These valuation methods employ a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples. Estimating the fair value of a reporting unit is a subjective process and requires the use of our best judgments. If our estimates or assumptions change from those used in our current valuation, we may be required to recognize an impairment loss in future periods, which would decrease our goodwill assets and increase our reported expenses.

Provision for Doubtful Accounts. We use estimates in determining our allowance for doubtful accounts related to trade receivables. These estimates are based on our best assessment of the collectibility of the related receivable balance based, in part, on the age of the specific receivable balance. A provision is established when the likelihood of collecting the account has significantly diminished. Future collections of receivables that differ from our current estimates would affect the results of our operations in future periods as well as our accounts receivable and general and administrative expenses.

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 our 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.

Income Taxes. 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 future 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 future 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 possible audits of our tax filings by regulatory authorities. We assess the likelihood of recovering value from future tax assets, such as loss carryforwards, on a regular basis, as well as the future tax depreciation of capital assets, and may establish a valuation provision. 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 future income tax asset or liability and increase or decrease our income tax expense.

Long-Lived Assets and Intangibles. We regularly review long-lived assets and intangible assets with finite lives when events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. The determination of recoverability is based on an estimate of undiscounted future cash flows, and the measurement of impairment loss is based on the fair value of the asset. To determine recoverability, we compare the estimated undiscounted future cash flows projected to be generated by these assets to their respective carrying value. In performing this analysis, we make estimates or assumptions about factors such as current and future contracts with clients, margins, market conditions, and the useful life of an asset. If our estimates or assumptions change from those used in our current analysis, we may be required to recognize an impairment loss in future periods that would decrease our long-lived and intangible assets and increase our reported expenses.

Liabilities for Lease Exit Activities. We accrue charges when closing offices in existing operations or finalizing plans to downsize offices in locations assumed from an acquiree upon a business acquisition. Included in these liabilities is the present value of the remaining lease payments reduced by estimated sublease rentals that can reasonably be obtained. These provisions are based on our estimates and reflect plans in place at the time the liability is recorded. If actual sublease payments and rental circumstances change from our original estimate, the liability will change, and we will be required to increase or decrease it and adjust goodwill or reported expenses depending on whether the adjustment relates to a liability established pursuant to an acquisition.

Business Combinations—Purchase Price Allocation. In a business combination, we may acquire the assets and assume certain liabilities of an acquired entity. The allocation of the purchase price for these transactions involves judgment in determining the fair values assigned to the tangible and intangible assets 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 purchase price allocation for a transaction, a revision to the purchase price allocation or the carrying value of the related assets and liabilities acquired may impact our net income in future periods. We are currently in the process of finalizing the purchase price allocation for the Vollmer, Geller DeVellis Inc., Trico Engineering, Chong Partners, Woodlot Alternatives, Inc., Neill and Gunter companies, Moore Paterson Architects Inc., Murphy Hilgers Architects Inc., Brentcliffe Financial Services Inc., Dekko Studio Inc., FMSM, and Leestown Leasing, L.L.C. acquisitions.

Accounting Developments

Canadian

Financial Instruments, Equity, and Comprehensive Income. Effective January 1, 2007, we adopted the CICA Handbook Section 3855, “Financial Instruments—Recognition and Measurement;” Section 1530, “Comprehensive Income;” and Section 3251, “Equity.” These pronouncements further aligned Canadian GAAP with US GAAP and require the following:

- Financial assets are classified as loans or receivables, held to maturity, held for trading, or available for sale. Held-to-maturity classification is restricted to fixed maturity instruments that we intend and are able to hold to maturity. These investments are accounted for at amortized cost. Held-for-trading instruments are recorded at fair value, with realized and unrealized gains and losses reported in net income. The remaining financial assets are classified as available for sale. These assets are recorded at fair value, with accumulated unrealized gains and losses reported in a new category of the consolidated balance sheets under shareholders' equity called "Accumulated Other Comprehensive Income" until the financial asset is disposed, at which time the realized gains and losses are recognized in net income. Changes in fair value from reporting period to reporting period are recorded in "Other Comprehensive Income."

- Financial liabilities are classified as either held for trading or other. Held-for-trading instruments are recorded at fair value, with realized and unrealized gains and losses reported in net income. Other instruments are accounted for at amortized cost, with related gains and losses reported in net income.

- Derivatives are classified as held for trading unless designated as hedging instruments. All derivatives are recorded at fair value on the consolidated balance sheets.

As a result of adopting these standards, we classified our financial instruments as follows:

- Cash and cash equivalents and restricted cash are classified as financial assets held for trading.

- Accounts receivable net of allowance for doubtful accounts are classified as receivables.

- Investments held for self-insured liabilities are classified as financial assets available for sale.

- Bank indebtedness, accounts payable and accrued liabilities, and long-term debt are classified as other financial liabilities.

- Foreign currency exchange contracts are derivatives that are classified as held for trading. Our foreign currency forward contracts are not accounted for as hedges.

In accordance with the provisions of these new standards, accumulated other comprehensive income is included on our consolidated balance sheets as a separate component of shareholders' equity. Accumulated other comprehensive income includes, on a net of tax basis, net unrealized gains and losses on available-for-sale financial assets and unrealized foreign currency translation gains and losses on self-sustaining foreign operations. On January 1, 2007, in accordance with transitional provisions, unrealized foreign currency translation gains and losses on self-sustaining foreign operations were reclassified from the cumulative translation account to accumulated other comprehensive income. Prior periods presented were also restated to reflect this reclassification.

The impact of recording our investments held for self-insured liabilities at fair value on January 1, 2007, in accordance with transitional provisions was to increase other assets by approximately $493,000, increase opening accumulated other comprehensive income by approximately $481,000 (after-tax), and increase future income tax liabilities by $12,000. Accumulated other comprehensive income also decreased by the $24.8 million balance previously reported in our cumulative translation account. These transition adjustments did not affect net income or basic or diluted earnings per share. Prior period consolidated financial statements were not restated except for the presentation of the cumulative translation account.

Accounting Changes. CICA Handbook Section 1506 establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and the correction of errors. It includes the disclosure, on an interim and annual basis, of a description and the impact on our financial results of any new primary source of GAAP that has been issued but is not yet effective. The adoption of this new section did not have an effect on our financial position or on the results of our operations.

Financial Instruments—Disclosures and Presentation. In November 2006, the CICA issued the new handbook Section 3862, "Financial Instruments—Disclosures," and Section 3863, "Financial Instruments—Presentation," effective for annual and interim periods beginning on or after October 1, 2007. These pronouncements further aligned Canadian GAAP with US GAAP. Early adoption of these recommendations is permitted. Section 3862 requires companies to provide disclosures in their financial statements that enable users to evaluate a) the significance of financial instruments for their financial position and performance and b) the nature and extent of risks arising from financial instruments to which they are exposed during the period and at the balance sheet date and how they manage those risks. Section 3863 establishes standards for the presentation of financial instruments. It

addresses the classification of financial instruments between liabilities and equity; the classification of related interest, dividends, and losses and gains; and the circumstances in which financial assets and financial liabilities are offset. The adoption of these new standards is not expected to have a material effect on our financial position or on the results of our operations.

Capital Disclosures. In November 2006, the CICA released the new handbook Section 1535, “Capital,” effective for fiscal years beginning on or after October 1, 2007. This section establishes standards for disclosing information about a company’s capital and how it is managed in order that a user of the company’s financial statements may evaluate its objectives, policies, and processes for managing capital. The adoption of this new standard is not expected to have a material effect on our financial position or on the results of our operations.

International Financial Reporting Standards. The CICA plans to converge Canadian GAAP for public companies with International Financial Reporting Standards over a transition period that is expected to end in 2011. The impact of this transition on our consolidated financial statements has not yet been determined.

United States

Stock-based compensation. In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No.123 (revised 2004), “Share-Based Payment” (SFAS 123R), effective for the first interim or annual financial statements beginning on or after June 15, 2005. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in financial statements based on their fair values. We recognize share-based payments at fair value for options granted subsequent to January 1, 2002, using the Black-Scholes option-pricing model. We adopted SFAS 123R using the modified-prospective transition method. The adoption of this standard did not have an impact on our consolidated financial statements.

Uncertainty in Income Taxes. In June 2006, the FASB issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes—An Interpretation of FAS Statement No. 109” (FIN 48), effective for fiscal years beginning on or after December 15, 2006. FIN 48 creates a single model for addressing the accounting for uncertainty in tax positions. It also clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in financial statements. In addition, this interpretation provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We adopted FIN 48 as of January 1, 2007, as required. The adoption of this pronouncement did not have a material effect on our financial position or on the results of our operations.

Fair Value Measurements. In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (SFAS 157), effective for fiscal years beginning after November 15, 2007. SFAS 157 establishes a framework for measuring fair value under US GAAP and requires additional disclosure. The statement defines a fair value hierarchy, with the highest priority being quoted prices in active markets. Under this statement, fair value measurements are disclosed by level within the hierarchy. This standard does not require any new fair value measurements. We are currently considering the impact of the adoption of this standard on our consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment to FASB Statement No. 115” (SFAS 159), effective for fiscal years beginning after November 15, 2007, although early adoption is permitted. SFAS 159 allows an entity to choose to measure certain financial instruments and other items at fair value that are not currently required to be measured at fair value. At each subsequent reporting period, unrealized gains and losses would be reported in earnings on items for which the fair value option has been elected. The adoption of this standard is not expected to have an effect on our financial position or on the results of our operations.

Business Combinations. In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, “Business Combinations” (SFAS 141R), effective for fiscal years beginning after December 15, 2008. This pronouncement changes the accounting for business combinations in a number of areas. It establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree, and the goodwill acquired. The statement also establishes disclosure requirements that will enable users of the financial statements to evaluate the nature and financial effects of the business combination. Although we are currently considering the impact of the adoption of this standard on our consolidated financial statements, it will be limited to any future acquisitions beginning in fiscal 2009.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, “Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51” (SFAS 160), effective for fiscal years beginning after December 15, 2008. SFAS 160 changes the accounting and reporting for ownership interests in subsidiaries held by parties other than the parent. These non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent’s equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, SFAS 160 establishes standards for a change in a parent’s ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. It also establishes reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. We are currently considering the impact of the adoption of this standard on our consolidated financial statements.

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 were omitted or misstated.

Definition of Non-GAAP Measures

This Management’s Discussion and Analysis includes references to and uses terms that are not specifically defined in the CICA Handbook and do not have any standardized meaning prescribed by Canadian GAAP. These non-GAAP measures may not be comparable to similar measures presented by other companies. We believe that these are useful measures 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 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 and Company. 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.

Debt to Equity Ratio. As part of our overall assessment of our financial condition, we monitor our debt to equity ratio to ensure that it is maintained within our established range. Debt to equity ratio is calculated as long-term debt plus the current portion of long-term debt plus bank indebtedness less cash, all divided by shareholders’ equity.

Return on Equity Ratio. As part of our overall assessment of value added for shareholders, we monitor our return on equity ratio. Return on equity is calculated as net income for the year divided by the average shareholders’ equity over each of the last four quarters.

Working Capital. We use working capital as a measure for assessing the overall liquidity of our Company. Working capital is calculated by subtracting current liabilities from current assets.

Current Ratio. We also use current ratio as a measure for assessing the overall liquidity of our Company. Current ratio is calculated by dividing current assets by current liabilities.

RISK FACTORS

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 or communications
- Disruptions in power or water supply
- Industry or worldwide 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 forward-looking statements 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. Additional operating, market, and growth and acquisition integration risks are outlined below.

Operating Risks

Like all professional services firms in the infrastructure and facilities industry, we are exposed to a number of risks in carrying out the day-to-day activities of our operations. These risks include the following:

Adverse weather conditions and natural or other disasters may cause a 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, plant start-up and testing, and plant operations. Certain weather conditions and natural or other disasters, such as fires, floods, influenza pandemics, and similar events, may cause postponements in the initiation and/or completion of our field activities and may hinder the ability of our office employees to arrive at work, which may result in a delay or elimination of revenue that otherwise would have been recognized while certain costs continued to be incurred. Adverse weather conditions or disasters may also delay or eliminate our initiation and/or completion of the 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 field, office, and/or other activities may require us to incur additional costs attributable to overtime work necessary to meet our client's required schedule. Due to various factors, a delay in the commencement or completion of a project may also result in the cancellation of the contract. As a result, our net revenue and profitability may be adversely affected.

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 as they are 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 addition, in our experience, clients who withhold payment are more likely to bring claims against us and have a higher tendency toward dissatisfaction with the services we provide.

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.

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

As of December 31, 2007, our backlog was approximately $831 million. However, the revenue projected in our backlog 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 profit we actually receive from contracts reflected in our backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of our backlog and the revenue and profits we actually receive. Finally, poor project or contract performance could also impact our profits.

If we are unable to engage qualified subconsultants, we may lose projects, revenue, and clients.

We often contract with outside companies to perform designated portions of the services we provide to our clients. In 2007 subconsultant costs accounted for approximately 8.6**%** (2006 – 8.6%) of our gross revenue. If we are unable to engage qualified subconsultants, our ability to perform under some of our contracts may be impeded and the quality of our service may decline. As a consequence, we may lose projects, revenue, and 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 70% of the dollar value of our contracts in 2007 was based on a fixed-fee or time-and-materials contract with a ceiling on the maximum costs to the client. 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 our 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 may 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 these projects longer than anticipated, which may prevent them from pursuing and working on new projects. Projects that are over budget or not on schedule may also lead to client dissatisfaction.

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 either event, we could lose clients and revenue, and our profitability could decline.

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.

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. The loss of this 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 have dealings in the future.

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 misstatement 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.

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.

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 any 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 only claims actually made during the policy period currently in effect. In addition, even where insurance is maintained for such exposures, the policies have deductibles resulting in our assuming exposure for a layer of coverage with respect to any such claims. 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 loss for 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, we have experienced and may continue to experience an increase in our insurance premiums. We may not be able to pass these increases on to our clients in increased billing rates.

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

We rely heavily on computer information, communications technology, and related systems in order to properly operate. If we are unable to continually add software and hardware, effectively upgrade our systems and network infrastructure, and take other steps to improve the efficiency of and protect our systems, systems operation 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, or similar events or disruptions. Any of these or other events could cause system interruption, delays, and loss of critical data, could delay or prevent operations, and may adversely affect our operating results.

We may not be able to adequately protect our intellectual property, which could force us to take costly protective measures such as litigation.

To establish and protect our intellectual property rights, we rely on a combination of trademark and trade secret laws, along with licenses, exclusivity agreements, and other contractual covenants. However, the measures we take to protect our intellectual property rights may prove inadequate to prevent the misappropriation of our intellectual property. Litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type could result in substantial costs and the diversion of resources, may result in counterclaims or other claims against us, and could significantly harm the results of our operations.

Market Risks

We are also exposed to various market factors that can affect our performance. These risks include the following:

Economic downturns could have a negative impact on our business since our clients may curtail investment in infrastructure projects .

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 would 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.

A significant portion of our revenue is derived from clients in the real estate industry. Consequently, our business could suffer materially if there were a downturn in the real estate market.

In 2007, 29.8% (2006 – 34.5%) of our gross revenue was derived from services provided by our Urban Land practice area, the majority (about 85%) of which are related to residential and commercial real estate development projects. Consequently, reduced demand in the real estate market would likely have an adverse impact on our Urban Land practice area. The real estate market, and, therefore, 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 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

A significant decrease in the demand for our real estate-related services could have a material adverse effect on our overall business, including the results of our operations and liquidity.

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

The markets we serve are highly competitive, and we have numerous competitors for the services we offer. The principal competitive factors include reputation, experience, breadth and quality of services, technical proficiency,

local offices, competitive total project 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 midsize, privately held regional firms in the United States and Canada. Generally, competition places downward pressure on our contract prices and profit margins. 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 acceptable 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 stock price.

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.

Our business strategy is to expand into new markets and enhance our position in existing markets through the acquisition of complementary businesses. In order to successfully complete targeted acquisitions or to fund our other activities, we may issue additional equity securities that could dilute share ownership. 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.

As mentioned previously, we currently have a $250 million credit facility. However, we have no assurance that debt financing will continue to be available from our current lenders or other financial institutions on similar terms.

We derive significant revenue from contracts with government agencies. Any disruption in government funding or in our relationship with those agencies could adversely affect our business.

The demand for our services is related to the level of government funding that is allocated for rebuilding, improving, and expanding infrastructure systems. We derive a significant amount of our revenue from government or government-funded projects and expect to continue to do so in the future. Between 30 and 57**%** of our gross revenue during the years ended December 31, 2005, through December 31, 2007, was derived from government or government-funded projects. Significant changes in the level of government funding could have an unfavorable impact on 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 participate in these programs. 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. In addition, government agencies can terminate these contracts at their convenience. We may incur costs in connection with the termination of these contracts and suffer a loss of business. As well, contracts with government agencies are sometimes subject to substantial regulation and audit of the actual costs incurred. Consequently, there may be a downward adjustment to our revenue if accrued recoverable costs exceed actual recoverable costs.

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 Canadian GAAP measures, 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 Canadian GAAP measures. 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, 2007; December 31, 2006; and December 31, 2005, for C$1.00 were US$0.93, US$0.88, and US$0.83, respectively. Furthermore, this volatility may continue in the future, and, as

discussed above, 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. As a result, we may not benefit from any weakening of the Canadian dollar relative to the US dollar.

Our share price could be adversely affected if a large number of our common shares are offered for sale or sold.

There may be instances in which we negotiate an acquisition where the consideration for the purchase may include Stantec shares. In the event that the acquired entity's shareholders subsequently decide to dispose of Stantec shares following the acquisition, there could be a large 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.

Our share price has historically been subject to volatility. As a result, 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 TSX and New York Stock Exchange (NYSE) during the 52 weeks ended December 31, 2007, were C$39.31 and C$23.70, respectively, and US$39.64 and US$20.10, 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 economy, 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; or (8) general volatility in the stock market.

In addition, the stock market has experienced volatility that has affected the market prices of the equity securities of many companies and that has often been unrelated to the operating performance of such companies. A number of other factors, many of which are beyond our control, could also cause the market price of our common shares to fluctuate substantially.

Increasing awareness of environmental factors may result in the cancellation of major projects by key clients and thus adversely affect our profitability.

As part of increasing awareness of global climate change, some experts have suggested that companies involved in industries that impact the environment may be subject to litigation from governments, shareholders, or environmental activists. The cancellation of major projects due to environmental concerns or significant environmental litigation impacting key clients could affect our future results.

Growth and Acquisition Integration Risks

We are also exposed to factors arising from growth and acquisition activities that can affect our performance. These risks include the following:

If we are unable to manage our growth effectively, we may experience a decline in our revenue and profitability.

We have grown rapidly in the last few years, and we intend to pursue further growth through acquisitions and internal hiring as part of our business strategy. However, there is a risk that we may not be able to manage our growth effectively and efficiently. Our inability to manage our growth could cause us to incur unforeseen costs, time delays, or other negative impacts, any of which could cause a decline in our revenue and profitability. Our rapid growth has presented, and will continue to present, numerous administrative and operational challenges, including the management of an expanding array of engineering and consulting services, the assimilation of financial reporting systems, increased pressure on our senior management, and increased demand on our systems and internal controls. Furthermore, as we expand our service offerings and geographic presence, we may not be able to maintain the current quality of our services.

We may also encounter difficulties in integrating acquisitions that we do make. Acquired businesses may not be profitable, because we may not be successful in generating the same level of operating performance that an acquired company experienced prior to its acquisition. As well, we may not be able to maintain our reputation in an acquired company's geographic area or service offerings, which may negatively impact our ability to attract and retain clients in those or other areas. Any of these integration issues could divert management's attention from other business activities and impact our ability to grow our business effectively.

From time to time, 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 businesses that we have not previously conducted and expose us to additional business risks that are different from those we have traditionally experienced. Consequently, we may depend in part on the knowledge and expertise of the professional service providers and management teams that we acquire in order to make these business opportunities profitable. New business opportunities frequently bring a learning curve that may require substantial management time, which 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 during periods of greater learning may be materially adversely affected, and we may experience a partial or complete loss of our investment.

Goodwill and other intangible assets acquired as a result of our acquisitions represent substantial portions of our total assets. If our acquired businesses do not perform as expected, we may be required to write down the value of our goodwill and other intangible assets, which could have a material adverse effect on our earnings.

Goodwill and other intangible assets represent approximately 44.9% 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 other 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. Canadian and US accounting rules require us to perform an annual impairment test of our goodwill and indefinite life intangible assets. A deterioration in the operating results of such acquired businesses or the failure of these businesses to meet our expectations may adversely affect the carrying value of our goodwill and other indefinite life intangible assets and could result in an impairment of the goodwill associated with such businesses. As part of our annual review of goodwill for impairment, we consider the actual performance of each of our reporting units compared to our expectations and update our future expectations for such reporting units. An impairment of goodwill would be recorded as a charge in our income statement, which could have a material effect on our earnings.

Stantec and an acquired entity may experience difficulties in integrating the acquired entity's business into the existing operations of Stantec 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 grow our 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 and 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, and geographic presence that formed the foundation for the acquisition.

We may be unsuccessful in our goal to increase the size and profitability of our operations, 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, our business will not grow in the manner we expect, and we will have difficulty achieving our growth plan.

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.

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 very 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 employees to the same extent that we were able to do so in the past.

Managing Our Risks

We mitigate our operating, market, and growth and acquisition integration risks through our business strategy and other measures. As mentioned previously, 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. From the beginning of 2002 to December 31, 2007, we have completed 35 acquisitions, and we expect to continue to pursue selective acquisitions of businesses 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. Focusing on this project mix 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.

To address the risk of competition for qualified personnel, we offer a number of employment incentives, including training programs, access to a plan that provides the benefit of employee share ownership, and opportunities for professional development and enhancement, along with compensation plans that we believe to be competitive, flexible, and designed to reward top performance. In 2007 we completed a number of activities, including the expansion of our Career Development Center with updated content and new in-house programs and training. Launched in 2005, the center is the on-line source for all our learning, coaching and mentoring, and professional and career development resources. It provides access to programs and material on topics such as employee orientation, people skills and leadership, project management, risk mitigation, business development, and financial management, among others. During 2007, we also introduced Ready. Set. Focus!, a revamp of our organization structure and leadership team designed to increase our senior leaders' involvement with our clients and projects. As well, we continue to improve our project manager and leadership portal dashboard training programs. These programs are intended to make financially related information more visible in order to assist our operations leadership in improving performance and decision making. We recognize that through improved project management across our operations we will increase our ability to deliver projects on schedule and within budget.

Since our operations are dependent on the abilities and efforts of senior management and other key personnel, our Board of Directors and senior leaders are taking the necessary steps to develop and implement a formal plan of succession for management.

To mitigate the risk of fraud, we have various business conduct policies, including our Code of Ethics, Conflict of Interest, and Whistleblower policies. In addition, our Internal Audit team reviews opportunities and indicators for fraud as part of its control evaluation program.

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 designated 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.

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. In addition, for each acquisition a senior regional or practice leader is appointed to support the integration process. 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 “back office” support services from our corporate and regional offices.

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 chief financial officer (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, 2007, (as defined in rules adopted by the Securities and Exchange Commission (SEC) in the United States and as defined in Canada by Multilateral 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 of the preparation of financial statements for external purposes in accordance with generally accepted accounting principals. 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 of the 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 2007 consolidated financial statements.

There has been no change in our internal control over financial reporting during the year ended December 31, 2007, 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 eight members, six 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 fulfils 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 2007 Stantec's board included two committees—the Audit Committee and the Corporate Governance and Compensation Committee. Both committees are composed entirely of unrelated, independent directors.

Audit Committee

The Audit Committee monitors, evaluates, approves, and makes recommendations on matters affecting Stantec's external audit, financial reporting, and accounting control policies. The committee met nine times in 2007. The chairman of the committee provides regular reports at the Company's board meetings.

The board has determined that each of the Audit Committee's members is financially literate and that all of the Audit Committee 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 Corporate Governance and Compensation Committee met two times in 2007. The chairman of the committee provides regular reports at the Company's board meetings.

More information about Stantec's corporate governance can be found on our web site (www.stantec.com) and in the Management Information Circular for our May 1, 2008, annual meeting of shareholders. In addition, the following documents are posted on our web site:

- Code of Ethics
- Corporate Governance Guidelines
- Audit 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 EVENTS

Acquisitions

On January 2, 2008, we acquired R.D. Zande, which added approximately 285 staff to our Company. The acquisition of this firm strengthens our operations in the midwestern United States and increases the depth of our service offerings to public sector clients in the environment sector. R.D. Zande provides services mainly in water and wastewater treatment facility design, environmental management, and transportation, as well as complementary services in planning, landscape architecture, surveying, and land development.

On January 2, 2008, we acquired Rochester Signal, Inc., which added approximately 25 staff. The acquisition of this firm supplements the transit-related services offered by our Rochester, New York, office. Rochester Signal, Inc. provides signal design, construction management, installation, and testing services, along with engineering support for the development of all types of rail systems, from main and commuter lines to rapid transit and light rail.

On February 1, 2008, we acquired SII Holdings, Inc. (Secor), adding approximately 700 staff. The acquisition of this firm significantly increases our environmental service offerings, particularly for clients in the private sector. Secor provides expertise in downstream marketing remedial services to the US energy industry, as well as comprehensive environmental remediation services to the manufacturing, chemical, pulp and paper, and transportation industries.

R.D. Zande , Rochester Signal, Inc., and Secor were acquired for an aggregate cash consideration of $67.0 million and promissory notes of $10.7 million.

Revolving Credit Facility

On January 22, 2008, we reached an agreement to increase the limit of our existing revolving credit facility from $160 million to $250 million. Depending on the form under which the credit facility is accessed and on our debt to earnings ratio, rates of interest will vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates plus 65, 85, or 125 basis points. The agreement also includes a provision for access to an additional $50 million under the same terms and conditions upon approval from our lenders. This financing provides us additional flexibility for continued growth.

Exhibit 99.4

STANTEC INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007, AND 2006

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 Canadian generally accepted accounting principles. 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 1 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 final approval of the annual consolidated financial statements. The board has appointed an Audit Committee comprising three directors, none of whom is an officer or employee of the Company or its subsidiaries. The Audit Committee meets at least four times each year to discharge its responsibilities under a written mandate from the Board of Directors. The Audit 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 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 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 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 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 generally accepted accounting principles. 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, 2007.

As permitted by published guidance of the U.S. Securities and Exchange Commission (SEC), management's evaluation of and conclusions on the effectiveness of internal control over financial reporting excluded the internal controls of Neill and Gunter, Incorporated; Neill and Gunter Limited; and Neill and Gunter (Nova Scotia) Limited (the Neill and Gunter companies), each acquired on October 19, 2007, and of Fuller, Mossbarger, Scott & May Engineers, Inc. (FMSM) and Leestown Leasing, L.L.C., acquired on December 31, 2007. The assets and liabilities and results of operations from these companies are included in the Company's consolidated financial statements. The total assets of the Neill and Gunter companies and of FMSM and Leestown Leasing, L.L.C., on their acquisition dates, were $74.6 million and $54.4 million, respectively. These assets as a percentage of the Company's total assets, as at December 31, 2007, were 9.2% and 6.7%, respectively. The gross revenue earned by the Neill and Gunter companies and FMSM and Leestown Leasing, L.L.C., from their dates of acquisition to December 31, 2007, constituted 1.3% and 0.0%, respectively, of the Company's gross revenue for the year ended December 31, 2007.

Ernst & Young LLP, which has audited the consolidated financial statements of the Company for the year ended December 31, 2007, has also issued a report on the effectiveness of the Company's internal control over financial reporting.



Tony Franceschini P.Eng.
President & CEO
February 20, 2008



Don Wilson CA
Senior Vice President & CFO
February 20, 2008

Independent Auditors' Report on Financial Statements

To the Shareholders of Stantec Inc.

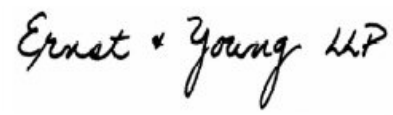
We have audited the consolidated balance sheets of Stantec Inc. as at December 31, 2007 and 2006 and the consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2007 the Company adopted the requirements of the Canadian Institute of Chartered Accountants Handbook Section 3855, “Financial Instruments –Recognition and Measurement”; Section 1530, “Comprehensive Income”; and Section 3251, “Equity”.

We have also audited, in accordance with the Standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2007 based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2008, expressed an unqualified opinion thereon.



Chartered Accountents
Edmonton, Canada
February 20, 2008
Chartered Accountants
Edmonton, Canada
February 20, 2008

Independent Auditors' Report on Internal Controls

(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, 2007, 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.

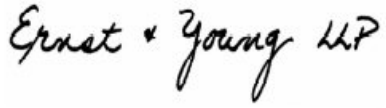
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal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

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

As indicated in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Neill and Gunter, Incorporated; Neill and Gunter Limited; Neill and Gunter (Nova Scotia) Limited, and Fuller, Mossbarger, Scott & May Engineers, Inc. and Leestown Leasing, L.L.C., which are included in the 2007 consolidated financial statements of Stantec Inc. and constituted 9.2% and 6.7%, respectively, of total assets at December 31, 2007 and 1.3% and 0.0%, respectively, of gross revenues for the year then ended. Our audit of internal control over financial reporting of Stantec Inc. also did not include an evaluation of the internal control over financial reporting of Neill and Gunter, Incorporated; Neill and Gunter Limited; Neill and Gunter (Nova Scotia) Limited, and Fuller, Mossbarger, Scott & May Engineers, Inc. and Leestown Leasing, L.L.C.

In our opinion, Stantec Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, 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 balance sheets of Stantec Inc. as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three year period ended December 31, 2007 of Stantec Inc. and our report dated February 20, 2008, expressed an unqualified opinion thereon.



Chartered Accountents
Edmonton, Canada
february 20, 2008

Consolidated Balance Sheets

(In thousands of Canadian dollars)	**December 31 2007 $**	December 31 2006 $
ASSETS *(note 8)*		
Current		
Cash and cash equivalents	**14,175**	28,363
Restricted cash	**-**	1,545
Accounts receivable, net of allowance for doubtful accounts of $10,508 in 2007 ($6,303 – 2006)	**206,063**	164,968
Costs and estimated earnings in excess of billings	**65,064**	41,152
Income taxes recoverable	**5,019**	3,993
Prepaid expenses	**6,617**	6,591
Future income tax assets (*note 14*)	**13,308**	9,711
Other assets (*note 6*)	**13,002**	8,228
Total current assets	**323,248**	264,551
Property and equipment (*note 3*)	**88,156**	65,009
Goodwill (*note 4*)	**332,922**	251,491
Intangible assets (*note 5*)	**32,288**	22,819
Future income tax assets *(note 14)*	**12,074**	9,984
Other assets (*note 6*)	**24,873**	20,616
Total assets	**813,561**	634,470
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (*note 7*)	**155,020**	107,132
Billings in excess of costs and estimated earnings	**34,423**	28,721
Income taxes payable	**9,955**	7,425
Current portion of long-term debt (*note 8*)	**21,549**	4,181
Future income tax liabilities (*note 14*)	**11,750**	12,236
Total current liabilities	**232,697**	159,695
Long-term debt (*note 8*)	**74,539**	12,046
Future income tax liabilities (*note 14*)	**20,718**	18,273
Other liabilities (*note 9*)	**42,909**	33,561
Total liabilities	**370,863**	223,575
Commitments, contingencies, and guarantees (*notes 2, 8, 10, and 11*)		
Shareholders' equity		
Share capital (*note 12*)	**218,790**	212,781
Contributed surplus (*note 12*)	**6,266**	5,458
Deferred stock compensation	**(110)**	(250)
Retained earnings	**286,780**	217,750
Accumulated other comprehensive income (AOCI) *(note 13)*	**(69,028)**	(24,844)
Total shareholders' equity	**442,698**	410,895
Total liabilities and shareholders' equity	**813,561**	634,470

See accompanying notes

On behalf of the Board of Directors:



Director



Director

Consolidated Statements of Income

Years ended December 31	**2007**	2006	2005
(In thousands of Canadian dollars, except per share amounts)	**$**	$	$
INCOME			
Gross revenue	**954,619**	816,133	618,020
Less subconsultant and other direct expenses	**123,731**	108,206	93,468
Net revenue	**830,888**	707,927	524,552
Direct payroll costs	**360,101**	304,677	234,553
Gross margin	**470,787**	403,250	289,999
Administrative and marketing expenses *(notes 12 and* 21)	**351,346**	292,064	212,992
Depreciation of property and equipment	**19,038**	15,604	12,389
Amortization of intangible assets	**3,702**	6,132	2,542
Net interest expense *(note 8)*	**1,594**	1,892	571
Share of income from associated companies	**(292)**	(285)	(187)
Foreign exchange gains	**(2,480)**	(74)	(449)
Other income	**(1,235)**	(1,507)	(359)
Income before income taxes	**99,114**	89,424	62,500
Income taxes (*note 14*)			
Current	**34,994**	31,484	21,735
Future	**(5,159)**	(2,242)	143
Total income taxes	**29,835**	29,242	21,878
Net income for the year	**69,279**	60,182	40,622
Earnings per share (*note 15*)			
Basic	**1.52**	1.34	1.02
Diluted	**1.50**	1.31	0.99

See accompanying notes

Consolidated Statements of Shareholders' Equity and Comprehensive Income

(In thousands of Canadian dollars, except shares outstanding)	Shares Outstanding *(note 12)* #	Share Capital *(note 12)* $	Contributed Surplus *(note 12)* $	Deferred Stock Compensation $	Retained Earnings $	Accumulated Other Comprehensive Income (AOCI) *(note 13)* $	Total $
Balance, December 31, 2004	37,742,170	87,656	2,544	-	117,874	(19,018)	189,056
Comprehensive income:							
Net income					40,622		40,622
Currency translation adjustments						(6,557)	(6,557)
Total comprehensive income					40,622	(6,557)	34,065
Share options exercised for cash	240,140	961					961
Stock-based compensation expense			963	(833)			130
Shares repurchased under normal course issuer bid	(13,600)	(33)	(1)		(161)		(195)
Shares issued on acquisition	6,657,552	123,365					123,365
Reclassification of fair value of share options previously expensed		159	(159)				-
Restricted shares issued on acquisition			2,175				2,175
Share issue costs		(1,504)					(1,504)
Balance, December 31, 2005	44,626,262	210,604	5,522	(833)	158,335	(25,575)	348,053
Retained earnings and AOCI						132,760	
Balance, December 31, 2005	44,626,262	210,604	5,522	(833)	158,335	(25,575)	348,053
Comprehensive income:							
Net income					60,182		60,182
Currency translation adjustments						731	731
Total comprehensive income					60,182	731	60,913
Share options exercised for cash	607,080	1,865					1,865
Stock-based compensation expense			1,078	583			1,661
Shares repurchased under normal course issuer bid	(51,600)	(243)	(6)		(767)		(1,016)
Reclassification of fair value of share options previously expensed		239	(239)				-
Shares issued on vesting of restricted shares	20,043	316	(897)				(581)
Balance, December 31, 2006	45,201,785	212,781	5,458	(250)	217,750	(24,844)	410,895
Retained earnings and AOCI						192,906	
Balance, December 31, 2006	45,201,785	212,781	5,458	(250)	217,750	(24,844)	410,895
Change in accounting policy (note 1)						481	481
Balance, January 1, 2007, as adjusted	45,201,785	212,781	5,458	(250)	217,750	(24,363)	411,376
Comprehensive income:							
Net income					69,279		69,279
Currency translation adjustments						(45,669)	(45,669)
Unrealized gains on financial assets						1,249	1,249
Realized gains transferred to net income						(245)	(245)
Total comprehensive income					69,279	(44,665)	24,614
Share options exercised for cash	386,598	1,920					1,920
Stock-based compensation expense			1,919	140			2,059
Shares repurchased under normal course issuer bid	(9,200)	(44)	(1)		(249)		(294)
Shares issued on acquisition	96,925	3,426					3,426

Reclassification of fair value of share options previously expensed		443	(443)				-
Shares issued on vesting of restricted shares	22,035	264	(667)				(403)
Balance, December 31, 2007	45,698,143	218,790	6,266	(110)	286,780	(69,028)	442,698
Retained earnings and AOCI						217,752	

See accompanying notes

Consolidated Statements of Cash Flows

Years ended December 31 *(In thousands of Canadian dollars)*	**2007** **$**	2006 $	2005 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash receipts from clients	**940,085**	816,846	637,391
Cash paid to suppliers	**(259,493)**	(221,056)	(200,445)
Cash paid to employees	**(565,803)**	(467,766)	(355,621)
Dividends from equity investments	**450**	450	550
Interest received	**6,496**	6,292	6,531
Interest paid	**(4,271)**	(7,665)	(6,551)
Income taxes paid	**(33,656)**	(37,588)	(28,882)
Income taxes recovered	**3,691**	3,876	4,341
Cash flows from operating activities (*note 16*)	**87,499**	93,389	57,314
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired *(note 2)*	**(105,353)**	(12,181)	(100,383)
Restricted cash used for acquisitions	**1,073**	19,793	9,000
Increase in investments held for self-insured liabilities	**(3,786)**	(4,355)	(7,295)
Proceeds on disposition of investments	**51**	9	522
Collection of notes receivable from disposition of Technology and Design Build segments	**-**	-	406
Purchase of property and equipment	**(27,291)**	(18,920)	(17,005)
Proceeds on disposition of property and equipment	**134**	104	155
Cash flows used in investing activities	**(135,172)**	(15,550)	(114,600)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Repayment of long-term debt	**(78,514)**	(85,612)	(46,875)
Proceeds from long-term borrowings	**117,049**	9,142	95,929
Repayment of acquired bank indebtedness *(note 2)*	**(6,282)**	(1,787)	-
Repurchase of shares for cancellation *(note 12)*	**(294)**	(1,016)	(195)
Share issue costs *(note 12)*	**-**	-	(1,969)
Proceeds from issue of share capital *(note 12)*	**1,920**	1,865	961
Cash flows from (used in) financing activities	**33,879**	(77,408)	47,851
Foreign exchange loss on cash held in foreign currency	**(394)**	(211)	(312)
Net increase (decrease) in cash and cash equivalents	**(14,188)**	220	(9,747)
Cash and cash equivalents, beginning of the year	**28,363**	28,143	37,890
Cash and cash equivalents, end of the year	**14,175**	28,363	28,143

See accompanying notes

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Stantec Inc. (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 and geomatics, environmental sciences, and project economics.

Generally accepted accounting principles

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP). These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below. The effects of differences between the application of Canadian GAAP and US GAAP on the financial statements of the Company are described in note 22.

Changes in accounting policies

a) Financial instruments, equity, and comprehensive income. Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, "Financial Instruments—Recognition and Measurement"; Section 1530, "Comprehensive Income"; and Section 3251, "Equity." These pronouncements further align Canadian GAAP with US GAAP and International Financial Reporting Standards (IFRS) and require the following:

- Financial assets are classified as loans or receivables, held to maturity, held for trading, or available for sale. Held-to-maturity classification is restricted to fixed maturity instruments that the Company intends and is able to hold to maturity, and these instruments are accounted for at amortized cost.
  Held-for-trading instruments are recorded at fair value, with realized and unrealized gains and losses reported in net income. The remaining financial assets are classified as available for sale. These assets are recorded at fair value, with accumulated unrealized gains and losses reported in a new category of the consolidated balance sheets under shareholders' equity called "Accumulated Other Comprehensive Income" until the financial asset is disposed of, at which time the realized gains and losses are recognized in net income. Changes in fair value from reporting period to reporting period are recorded in "Other Comprehensive Income."

- Financial liabilities are classified as either held for trading or other. Held-for-trading instruments are recorded at fair value, with realized and unrealized gains and losses reported in net income. Other instruments are accounted for at amortized cost, with related gains and losses reported in net income.

- Derivatives are classified as held for trading unless designated as hedging instruments. All derivatives are recorded at fair value on the consolidated balance sheets (note 20).

As a result of adopting these standards, the Company classified its financial instruments as follows:

- Cash and cash equivalents and restricted cash are classified as financial assets held for trading.

- Accounts receivable net of allowance for doubtful accounts are classified as receivables.

- Investments held for self-insured liabilities are classified as financial assets available for sale.

- Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities.

In accordance with the provisions of these new standards, accumulated other comprehensive income is included on the Company's consolidated balance sheets as a separate component of shareholders' equity. Accumulated other comprehensive income includes, on a net of tax basis, net unrealized gains and losses on available-for-sale financial assets and unrealized foreign currency translation gains and losses on self-sustaining foreign operations. On January 1, 2007, in accordance with transitional provisions, unrealized foreign currency translation losses on self-sustaining foreign operations were reclassified from the cumulative translation account to accumulated other comprehensive income. Prior periods presented were also restated to reflect this reclassification.

The impact of recording investments held for self-insured liabilities at fair value on January 1, 2007, in accordance with transitional provisions was to increase other assets by approximately $493,000, increase opening accumulated other comprehensive income by approximately $481,000 (after-tax), and increase future income tax liabilities by $12,000. Accumulated other comprehensive income decreased by the $24,800,000 balance previously reported in the cumulative translation account. These transition adjustments did not affect net income or basic or diluted earnings per share. Prior period consolidated financial statements were not restated except for the presentation of the cumulative translation account.

b) Accounting changes. Effective January 1, 2007, the Company adopted the new CICA Handbook Section 1506, "Accounting Changes." This section establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and the correction of errors. It includes the disclosure, on an interim and annual basis, of a description and the impact on the Company's financial results of any new primary source of Canadian GAAP that has been issued but is not yet effective. The adoption of this new section did not have an effect on the Company's financial position or on the results of its operations.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these consolidated financial statements include the percentage of completion of fixed-fee and variable-fee-with-ceiling contracts, provisions for losses on incomplete contracts, allowances for doubtful accounts receivable, provision for legal claims, provision for self-insured liabilities, the fair value of stock-based awards, the fair value of identifiable intangible assets acquired in business acquisitions, liabilities for lease exit activities, and future cash flows used to estimate the fair value of reporting units for goodwill impairment purposes. Actual results may differ from these estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the Company, its subsidiary companies, and all variable interest entities for which the Company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated. The results of the operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

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.

Cash and cash equivalents

Cash and cash equivalents include cash and unrestricted investments with initial maturities of three months or less. Such investments are carried at fair value.

Investments

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 its share of earnings (losses) net of dividends received. These investments include Teshmont Consultants Inc. (50%), SSBV Consultants Inc. (33.3%), and Planning & Stantec Limited (50%).

Other investments, including investments held for self-insured liabilities, are recorded at fair value. When a loss in the value of such investments occurs that is other than temporary, the cumulative loss that had been recognized in other comprehensive income is removed from accumulated other comprehensive income and recognized in net income.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. 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
Business information systems		straight-line over 3 to 5 years
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	4 –5%	declining balance

Leases

Leases that transfer substantially all the risks and benefits of ownership of assets to the Company are accounted for as capital leases. Assets under capital leases are recorded at the inception of the lease together with the related long-term obligation to reflect the purchase and financing thereof. 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 terms 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.

Goodwill and intangible assets

The cost of intangible assets with finite lives is amortized over the period in which the benefits of such assets are expected to be realized, principally on a straight-line basis. 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 less than one and a half years. Other intangible assets include technology, non-compete agreements, and advantageous leasehold commitments, which are amortized over estimated lives of 3 to 11 years. Goodwill is not amortized but is evaluated annually for impairment by comparing the fair value of the reporting unit, determined on a discounted after-tax cash flow basis, to the carrying value. An impairment loss would be recognized if the carrying value of the goodwill were to exceed its fair value.

Long-lived assets

The Company monitors the recoverability of long-lived assets, including property and equipment and intangible assets with finite lives, employing factors such as expected future asset utilization, business climate, and future undiscounted cash flows expected to result from the use of the related assets. An impairment loss would be recognized if the carrying value of a long-lived asset were to exceed its fair value.

Accrual and investments held for self-insured liabilities

The Company self-insures certain risks related to professional liability and automobile physical damages. The accrual 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 accrual 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 accrual for self-insured liabilities. These investments are classified in other assets as investments held for self-insured liabilities.

Forward contracts

The Company may enter into forward currency exchange contracts to manage risk associated with net operating assets denominated in US dollars. The Company's policy is not to use derivative financial instruments for trading or speculative purposes. These derivative contracts, which are not accounted for as hedges, are recognized at fair value, and any changes in the fair value are recorded in net income when the changes occur. The fair value of such instruments is recorded as either accounts receivable or payable.

Non-interest-bearing debt

Non-interest-bearing debt is carried at its amortized cost using the effective interest rate method.

Fair value of financial instruments

The fair value of a financial instrument on initial recognition is normally the transaction price, which is the value of the consideration given or received. Transaction costs on financial instruments are expensed when incurred. Purchases and sales of financial assets are accounted for at trade dates. 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. The fair values of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts because of the short-term maturity of these instruments. The carrying amount of bank loans approximates its fair value because the applicable interest rate is based on variable reference rates. The carrying values of other financial assets and financial liabilities approximate their fair values except as otherwise disclosed in the financial statements.

Credit risk

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, investments held for self-insured liabilities, and accounts receivable. The risk associated with its investment in bonds is mitigated through the overall quality and mix of its bond portfolio. The Company maintains an allowance for estimated credit losses. It provides services to diverse clients in various industries and sectors of the economy, and its credit risk is not concentrated in any particular client, industry, economic, or geographic sector.

Interest rate risk

The Company is subject to interest rate cash flow risk to the extent that its credit facilities are 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 contain fixed-rate government and corporate bonds. The Company has not entered into any derivative agreements to mitigate these risks.

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 from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method. Contract revenue is recognized on the ratio of contract costs incurred to total estimated costs. 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. Costs and estimated earnings in excess of billings represents work in progress that has been recognized as revenue but not yet invoiced to clients. Billings in excess of costs and estimated earnings represents amounts that have been invoiced to clients but not yet recognized as revenue. Revenue does not include taxes collected from clients that are reimbursable to government authorities.

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.

Foreign currency translation

Transactions denominated in a foreign currency and the financial statements of foreign subsidiaries (excluding US-based subsidiaries) included in the consolidated financial statements are translated as follows: monetary items at the rate of exchange in effect at the balance sheet date; non-monetary items at historical exchange rates; and revenue and expense items (except depreciation and amortization, which are translated at historical exchange rates) at the average exchange rate for the month. Any resulting realized and unrealized gains or losses are included in income in the year incurred, except for unrealized foreign exchange gains and losses on investments held for self-insured liabilities, which are included in other comprehensive income since they are classified as available for sale.

The Company's US-based subsidiaries are designated as self-sustaining operations. The financial statements of these subsidiaries are translated using the current rate method. Under this method, assets and liabilities are translated at the rate of exchange in effect at the balance sheet 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 US-based subsidiaries are included as a separate component of shareholders' equity in accumulated other comprehensive income.

Stock-based compensation and other stock-based payments

The Company has one share option plan (described in note 12) and accounts for grants under this plan in accordance with the fair value-based method of accounting for stock-based compensation. Compensation expense for stock options awarded under the plan is measured at the fair value at the grant date using the Black-Scholes valuation model and is recognized over the vesting period of the options granted. The Company estimates its forfeiture rate in order to determine its compensation expense arising from stock-based awards. In years prior to January 1, 2002, the Company recognized no compensation expense when shares or stock options were issued.

Income taxes

The Company uses the liability method to account for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and the tax bases of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when these differences are expected to reverse.

Earnings per share

Basic earnings per share is computed based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is 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 year and that the difference between the 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. The impact of outstanding restricted shares, on a weighted average basis, is also added to the number of shares outstanding. Antidilutive options are not considered in computing diluted earnings per share.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on its accounts receivable. The Company uses estimates in arriving at its allowance for doubtful accounts that are based on the age of the outstanding accounts receivable and on its historical collection and loss experience.

Recent accounting pronouncements

a) Financial instruments—disclosure and presentation. In November 2006, the CICA issued the new handbook Section 3862, “Financial Instruments—Disclosures,” and Section 3863, “Financial Instruments—Presentation,” effective for fiscal years beginning on or after October 1, 2007. These pronouncements further aligned Canadian GAAP with US GAAP and IFRS. Early adoption of these recommendations is permitted. Section 3862 requires companies to provide disclosures in their financial statements that enable users to evaluate a) the significance of financial instruments for their financial position and performance and b) the nature and extent of risks arising from

financial instruments to which they are exposed during the period and at the balance sheet date and how they manage those risks. Section 3863 establishes standards for the presentation of financial instruments. It addresses the classification of financial instruments between liabilities and equity; the classification of related interest, dividends, and losses and gains; and the circumstances in which financial assets and financial liabilities are offset. The adoption of these new standards is not expected to have a material effect on the Company's financial position or on the results of its operations.

b) Capital disclosures. In November 2006, the CICA released the new handbook Section 1535, "Capital," effective for fiscal years beginning on or after October 1, 2007. This section establishes standards for disclosing information about a company's capital and how it is managed in order that a user of the company's financial statements may evaluate its objectives, policies, and processes for managing capital. The adoption of this new standard is not expected to have a material effect on the Company's financial position or on the results of its operations.

c) International financial reporting standards. The CICA plans to converge Canadian GAAP for public companies with IFRS over a transition period that is expected to end in 2011. The Company has not yet determined the impact of the CICA's plan on its consolidated financial statements.

2. Business Acquisitions

Acquisitions are accounted for under the purchase 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 of the purchase price allocations may not be finalized at the initial time of reporting. Purchase price allocations are completed after the vendors' final financial statements and income tax returns have been prepared and accepted by the Company. Such preliminary purchase price allocations are based on management's best estimates of the fair value of the acquired assets and liabilities. Upon finalization, adjustments to the initial estimates may be required, and these adjustments may be material.

The purchase prices of acquisitions may be subject to price adjustment clauses included in the purchase agreements. At each balance sheet date, these purchase price adjustment clauses are reviewed and may result in an increase or reduction to the promissory note consideration recorded at acquisition to reflect either more or less non-cash working capital than was originally recorded.

As at December 31, 2007, additional consideration, specified in certain purchase agreements, may be payable based on future performance parameters. This contingent consideration is recognized as an adjustment to goodwill in the period in which the contingency is resolved. In some cases, the dollar amount of the contingent consideration is determinable and written in the purchase agreement but is still not recorded until the contingency is resolved. As at December 31, 2007, there was $300,000 (December 31, 2006 – nil) contingent consideration of this nature.

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 2007

On March 9, 2007, the Company acquired the net assets and business of Nicolson Tamaki Architects Inc. for cash consideration and promissory notes. This acquisition supplemented the Company's architecture services in British Columbia, Canada.

On April 2, 2007, the Company acquired the partnership interest and business of Vollmer Associates LLP for cash consideration and promissory notes. The acquisition of this firm, headquartered in New York City, strengthened the Company's engineering, architecture, planning, landscape architecture, and survey services in the transportation sector in the eastern United States.

On April 2, 2007, the Company acquired the net assets and business of Land Use Consultants, Inc. for cash consideration. This acquisition supplemented the Company's operations in Portland, Maine, and expanded its planning and landscape architecture services in the northern New England region.

On May 18, 2007, the Company acquired the net assets and business of Geller DeVellis Inc., a firm based in Boston, Massachusetts, for cash consideration. This acquisition strengthened the Company's planning, landscape architecture, and civil engineering design capabilities and presence in the New England region.

On August 31, 2007, the Company acquired the shares and business of Trico Engineering Consultants, Inc. for cash consideration and promissory notes. This acquisition strengthened the Company's civil engineering, surveying, landscape architecture, and planning capabilities in Charleston, South Carolina, and expanded the depth of its services throughout the southeastern United States.

On September 14, 2007, the Company acquired the shares and business of Chong Partners Architecture, Inc. for cash consideration and promissory notes. This acquisition, headquartered in San Francisco with additional offices in Sacramento and San Diego, enhanced the Company's architecture presence in the United States, particularly in California, and provided a foundation for further expansion of its American achitecture practice.

On October 1, 2007, the Company acquired the shares and business of Woodlot Alternatives, Inc. for cash consideration and promissory notes. The addition of this firm, which specializes in natural resource assessment, permitting, and environmental engineering, strengthened the Company's presence in Maine and New England.

On October 19, 2007, the Company acquired the shares and business of Neill and Gunter, Incorporated; Neill and Gunter Limited; and Neill and Gunter (Nova Scotia) Limited for cash consideration, promissory notes, and Stantec common shares. The number of common shares issued (96,925) as consideration was based on the average of the closing price of the Stantec common shares on the Toronto Stock Exchange for five trading days around the acquisition date. These acquisitions brought greater depth to the Company's industrial practice, enhanced its operations in New England, and provided access to a new market in Atlantic Canada.

On November 16, 2007, the Company acquired the net assets and business of Moore Paterson Architects Inc. for cash consideration and promissory notes. This acquisition strengthened the Company's architecture, planning, and project management services on Vancouver Island and the Lower Mainland of British Columbia.

On November 23, 2007, the Company acquired the shares and business of Murphy Hilgers Architects Inc., Brentcliffe Financial Service Inc., and Dekko Studio Inc. for cash consideration and promissory notes. This acquisition expanded the Company's operations in Toronto, Ontario, and added further depth to its expertise in designing health care, judicial, and retail/commercial facilities.

On December 31, 2007, the Company acquired the shares and business of Fuller, Mossbarger, Scott & May Engineers, Inc. and Leestown Leasing L.L.C. for cash consideration and promissory notes. This acquisition created a presence in Kentucky, Ohio, Missouri, and Indiana and brought geotechnical engineering capabilities to the Company. In addition, it added expertise in several specialty engineering areas, including dams, levees, and underwater structures, which complemented the Company's existing services and enhanced its water resources capabilities.

During 2007, the Company adjusted the purchase price on the Dunlop Architects Inc. (2004), CPV Group Architects & Engineers Ltd. (2005), Keen Engineering Co. Ltd. (2005), Carinci Burt Rogers Engineering, Inc. (2006), Dufresne-Henry, Inc. (2006), ACEx Technologies, Inc. (2006), Vollmer Associates LLP (2007), Chong Partners Architecture, Inc. (2007), and Trico Engineering Consultants, Inc. (2007) acquisitions pursuant to price adjustment clauses included in the purchase agreements. These adjustments impacted non-cash working capital.

During 2007, the purchase price allocations for the Dufresne-Henry, Inc., ACEx Technologies, Inc., Nicolson Tamaki Architects Inc., and Land Use Consultants, Inc. acquisitions were finalized. The purchase price allocations for the Vollmer Associates LLP, Geller DeVellis Inc., Trico Engineering Consultants, Inc., Chong Partners Architecture, Inc., Woodlot Alternatives, Inc., Neill and Gunter companies, Moore Paterson Architects Inc., Murphy Hilgers Architects Inc., Brentcliffe Financial Service Inc., Dekko Studio Inc., Fuller, Mossbarger, Scott & May Engineers, Inc., and Leestown Leasing, L.L.C. acquisitions have not been finalized. The Company expects to finalize the purchase price allocations for Vollmer Associates LLP during the first quarter of 2008; the purchase price allocations for Geller DeVellis Inc. during the second quarter of 2008; the purchase price allocations for Trico Engineering Consultants, Inc., Chong Partners Architecture, Inc., and Woodlot Alternatives, Inc. during the third quarter of 2008; and the purchase price allocations for the Neill and Gunter companies, Moore Paterson Architects Inc., Murphy Hilgers Architects Inc., and Fuller, Mossbarger, Scott & May Engineers, Inc. during the fourth quarter of 2008.

Acquisitions in 2006

On March 6, 2006, the Company acquired the shares and business of Carinci Burt Rogers Engineering, Inc. for cash consideration and promissory notes. This acquisition supplemented the Company's buildings engineering capabilities and presence in the Greater Toronto Area.

On April 14, 2006, the Company acquired the shares and business of Dufresne-Henry, Inc. for cash consideration and promissory notes. Along with complementing the Company's New York operations, this acquisition expanded its services into four new states in New England and created an initial platform for growth in Florida. Dufresne-Henry, Inc.'s staff added to the Company's professional services in engineering, planning, environmental sciences, and landscape architecture.

On May 12, 2006, the Company acquired the shares and business of ACEx Technologies, Inc. for cash consideration and promissory notes. This acquisition complemented the Company's services in the areas of transit, rail and power communications, and control systems engineering and added new locations in Oakland, California, and Irving, Texas.

During 2006, the Company adjusted the purchase price on the Dunlop Architects Inc. (2004), CPV Group Architects & Engineers Ltd. (2005), Keen Engineering Co. Ltd. (2005), Carinci Burt Rogers Engineering, Inc. (2006), Dufresne-Henry, Inc. (2006), and ACEx Technologies, Inc. (2006) acquisitions pursuant to price adjustment clauses included in the purchase agreements.

Aggregate consideration paid

Details of the aggregate consideration given and of the fair values of net assets acquired or adjusted for are as follows:

(In thousands of Canadian dollars)	**Total 2007 $**	Total 2006 $
Cash consideration	**109,955**	13,321
Share consideration	**3,426**	-
Promissory notes	**41,199**	6,308
Purchase price	**154,580**	19,629
Assets and liabilities acquired at fair values		
Cash acquired	**4,602**	1,140
Bank indebtedness assumed	**(6,282)**	(1,787)
Non-cash working capital	**20,151**	12,294
Property and equipment	**17,025**	3,078
Investments	**12**	-
Goodwill	**114,017**	8,306
Intangible assets		
Client relationships	**8,933**	1,219
Contract backlog	**4,298**	388
Other	**2,914**	101
Other long-term liabilities	**(1,933)**	(2,146)
Long-term debt	**(6,486)**	(551)
Future income taxes	**(2,671)**	(2,413)
Net assets acquired	**154,580**	19,629

Of the goodwill and intangible assets resulting from acquisitions completed in 2007, $35,936,000 (2006 – nil) is deductible for income tax purposes.

At the time of acquisition, management estimates the exit costs of consolidating or closing offices occupied by the acquired entity. These costs are accrued in other long-term liabilities as part of the purchase price allocation (note 9).

Pro forma data (unaudited)

The following unaudited pro forma data presents information as if the acquisitions of Nicolson Tamaki Architects Inc.; Vollmer Associates LLP; Land Use Consultants, Inc.; Geller DeVellis Inc.; Trico Engineering Consultants, Inc.; Chong Partners Architecture, Inc.; Woodlot Alternatives, Inc.; Neill and Gunter companies; Moore Paterson Architects Inc.; Murphy Hilgers Architects Inc.; Brentcliffe Financial Service Inc.; Dekko Studio Inc.; Fuller, Mossbarger, Scott & May Engineers, Inc.; Leestown Leasing, L.L.C.; Carinci Burt Rogers Engineering, Inc.; Dufresne-Henry, Inc.; and ACEx Technologies, Inc. had occurred on January 1, 2006. This unaudited pro forma data is provided for information purposes only and is based on historical information. This unaudited pro forma data does not necessarily reflect the actual results of operations that would have occurred if these acquired entities and Stantec Inc. had comprised a single entity during the periods since January 1, 2006, nor is it necessarily indicative of the future results of the operations of the combined entities.

(In thousands of Canadian dollars, except per share amounts) (Unaudited)	**2007** **$**	2006 $
Pro forma gross revenue	**1,148,659**	1,123,390
Pro forma net revenue	**954,909**	931,108
Pro forma net income	**75,860**	67,389
Basic pro forma earnings per share	**1.66**	1.50
Diluted pro forma earnings per share	**1.64**	1.47

3. Property and Equipment

	2007		2006	
(In thousands of Canadian dollars)	**Cost** **$**	**Accumulated Depreciation** **$**	Cost $	Accumulated Depreciation $
Engineering equipment	**60,295**	**31,689**	48,783	27,454
Business information systems	**18,055**	**10,675**	13,755	7,097
Office equipment	**30,151**	**15,288**	25,315	12,760
Automotive equipment	**7,952**	**4,433**	6,765	3,850
Leasehold improvements	**35,774**	**7,185**	20,240	4,244
Buildings	**5,446**	**1,114**	5,574	913
Land	**867**	**-**	895	-
	158,540	**70,384**	121,327	56,318
Net book value		**88,156**		65,009

Included in leasehold improvements is construction work in progress in the amount of $2,845,000 (2006 – $292,000) on which depreciation has not started.

4. Goodwill

(In thousands of Canadian dollars)	**2007** **$**	2006 **$**
Goodwill, beginning of the year	**251,491**	242,674
Current year acquisitions	**112,892**	6,618
Contingent consideration payments	**199**	-
Purchase price adjustments	**926**	1,688
Impact of foreign exchange	**(32,586)**	511
Goodwill, end of the year	**332,922**	251,491

5. Intangible Assets

(In thousands of Canadian dollars)	**2007** Gross Carrying Amount $	**2007** Accumulated Amortization $	2006 Gross Carrying Amount $	2006 Accumulated Amortization $
Client relationships	**32,023**	**6,525**	26,140	4,692
Contract backlog	**4,583**	**564**	4,316	3,587
Other	**3,369**	**598**	948	306
	39,975	**7,687**	31,404	8,585
Carrying amount	**32,288**			22,819

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. For intangible assets held as of December 31, 2007, the estimated aggregate amortization expense for each of the next five years and thereafter is as follows:

(In thousands of Canadian dollars)	**$**
2008	7,612
2009	3,534
2010	3,415
2011	3,325
2012	3,238
Thereafter	11,164
	32,288

6. Other Assets

(In thousands of Canadian dollars)	**2007** **$**	2006 $
Investments held for self-insured liabilities	**28,913**	22,720
Investments in associated companies	**1,187**	1,347
Investments – other	**701**	823
Holdbacks on long-term contracts	**2,583**	2,278
Other	**4,491**	1,676
	37,875	28,844
Less current portion of investments held for self-insured liabilities	**13,002**	8,228
	24,873	20,616

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 as at December 31, 2007. Fair values at December 31, 2006, were not reflected on the consolidated balance sheet (note 1).

The fair value of the bonds at December 31, 2007, was $20,024,000 (2006 – $15,458,000), and the fair value of the equities was $8,889,000 (2006 – $7,755,000). The amortized cost of the bonds at December 31, 2007, was $19,949,000 (2006 – $15,589,000), and the cost of the equities was $7,449,000 (2006 – $7,131,000). The bonds bear interest at rates ranging from 2.9 to 7.0% per annum (2006 – 2.9 to 7.0%) . The term to maturity of the bond portfolio, stated at fair value, is $3,694,000 (2006 – $1,854,000) due within one year, $15,445,000 (2006 –$11,600,000) due from two to five years, and $885,000 (2006 – $2,004,000) due from six to 10 years.

7. Accounts Payable and Accrued Liabilities

(In thousands of Canadian dollars)	**2007** **$**	2006 $
Trade accounts payable	**40,155**	26,188
Employee and payroll liabilities	**83,621**	63,771
Accrued liabilities	**31,244**	17,173
	155,020	107,132

8. Long-Term Debt

(In thousands of Canadian dollars)	**2007** **$**	2006 $
Non-interest-bearing note payable	**147**	134
Other notes payable	**43,872**	7,935
Bank loan	**52,069**	8,158
	96,088	16,227
Less current portion	**21,549**	4,181
	74,539	12,046

The non-interest-bearing note payable is due November 1, 2027, in the amount of $933,000. The note's carrying value of $147,000 is determined using a discount rate of 9.75% . If the non-interest-bearing note payable were discounted at interest rates in effect at December 31, 2007, the fair value of the note would be $233,000 (2006 –$203,000).

The carrying values of the other notes payable have been calculated using a weighted average rate of interest of 4.95% and may be supported by promissory notes. The notes are due at various times from 2008 to 2011. The aggregate maturity value of the notes is $43,976,000 (2006 – $8,154,000). As at December 31, 2007, $24,849,000 (2006 – $1,357,000) of the notes' carrying value was payable in US funds (2007 – US$24,633,000; 2006 –US$1,164,000). The carrying value of the other notes payable approximates their fair value based on interest rates in effect at December 31, 2007.

The Company has a revolving credit facility in the amount of $160 million that expires on August 31, 2010. This facility is available for acquisitions, working capital needs, capital expenditures, 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 65 or 85 basis points. As at December 31, 2007, $49,069,350 of the bank loan was payable in US funds (US$49,500,000) and $3,000,000 in Canadian funds. As at December 31, 2006, $8,158,000 of the bank loan was payable in US funds (US$7,000,000). Loans may be repaid under the credit facility from time to time at the option of the Company. The average interest rate applicable at December 31, 2007, was 5.51% (2006 – 6.00%) . The credit facility agreement contains restrictive covenants, including, but not limited to, debt to earnings ratio and earnings to debt service ratio. The Company was in compliance with all the covenants under this agreement as at and throughout the year ended December 31, 2007. All

the assets of the Company are held as collateral under a general security agreement for the bank loan. Subsequent to December 31, 2007, the Company was successful in reaching an agreement to increase the limit of the revolving credit facility from $160 million to $250 million (note 23).

The funds available under the revolving credit facility are reduced by any outstanding letters of credit. At December 31, 2007, the Company had issued and outstanding letters of credit totaling $141,000 (2006 – $1,058,000) payable in Canadian funds and $1,321,000 (US$1,332,000) (2006 – $891,000, US$764,000) payable in US funds that expire at various dates before January 2009. These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations. At December 31, 2007, $106,469,000 was available in the revolving credit facility for future activities.

As at December 31, 2007, the Company had an additional $475,000 (US $479,000) in letters of credit outstanding that were assumed from certain acquisitions completed in 2007. During 2007, the Company entered into a US$4 million 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, 2007, $50,000 (US$50,000) in bonds had been issued under this credit facility.

The principal repayments required on long-term debt in each of the next five years and thereafter are as follows:

(In thousands of Canadian dollars)	**$**
2008	21,549
2009	17,107
2010	57,219
2011	66
2012	-
Thereafter	147
	96,088

The interest incurred on long-term debt in 2007 was $2,444,000 (2006 – $2,612,000; 2005 – $2,000,000). In 2007 total interest expense, net of interest income, was $1,594,000 (2006 – $1,892,000; 2005 – $571,000).

9. Other Liabilities

(In thousands of Canadian dollars)	**2007 $**	2006 $
Provision for self-insured liabilities	**17,659**	16,041
Deferred gain on sale leaseback	**5,749**	6,187
Lease inducement benefits	**16,191**	10,499
Liabilities on lease exit activities	**4,112**	2,833
Liability for uncertain tax positions	**1,412**	-
Other	**3,220**	2,333
	48,343	37,893
Less current portion included in accrued liabilities	**5,434**	4,332
	42,909	33,561

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 11). This provision for self-insured liabilities is based on the results of an actuarial review performed in 2007 and 2006, with the current and long-term portion determined based on the actuarial estimate. At December 31, 2007, the long-term portion was $16,225,000 (2006 – $14,492,000).

(In thousands of Canadian dollars)	**2007** **$**	2006 $
Provision, beginning of the year	**16,041**	11,346
Current year provision	**6,153**	6,329
Payment for claims settlement	**(2,822)**	(2,087)
Impact of foreign exchange	**(1,713)**	453
Provision, end of the year	**17,659**	16,041

The self-insured liability increased during 2007 primarily due to new claims incurred and reported since the end of 2006. The timing of claim settlement payments is dependent upon the resolution of case-specific matters and may extend over several months or years.

Deferred gain on sale leaseback

In 2004 the Company completed the sale of its office building in Edmonton, Alberta, (included in buildings and land) 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.

Liabilities on lease exit activities

Charges are accrued when management closes offices in existing operations or finalizes plans to downsize offices in locations assumed from an acquiree upon a business acquisition. Included in the liability is the present value of the remaining lease payments, reduced by estimated sublease rentals that can reasonably be obtained.

(In thousands of Canadian dollars)	**2007** **$**	2006 $
Liability, beginning of the year	**2,833**	2,251
Current year provision:		
Established for existing operations	**989**	96
Resulting from acquisitions	**740**	2,146
Costs paid or otherwise settled	**(1,522)**	(1,649)
Adjustments to purchase price allocation	**1,193**	-
Impact of foreign exchange	**(121)**	(11)
Liability, end of the year	**4,112**	2,833

10. Commitments

Commitments for annual basic premises rent under long-term leases and for equipment and vehicle operating leases for the next five years and thereafter are as follows:

(In thousands of Canadian dollars)	**$**
2008	49,829
2009	45,689
2010	40,604
2011	34,555
2012	29,803
Thereafter	98,678
	299,158

The premises rental expense for the year ended December 31, 2007, was $41,113,000 (2006 – $35,724,000; 2005 – $29,282,000).

11. 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 provisions for probable and reasonably estimable liabilities associated with these claims and that their ultimate resolutions 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 financial statements may be incurred.

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 in or in the interpretation of laws and regulations, or as a result of litigation claims 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.

12. 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 2007, 9,200 common shares (2006 – 51,600; 2005 – 13,600) were repurchased for cancellation pursuant to an ongoing normal course issuer bid at a cost of $294,000 (2006 – $1,016,000; 2005 – $195,000). Of this amount, $44,000 and $1,000 (2006 – $243,000 and $6,000; 2005 – $33,000 and $1,000) reduced the share capital and contributed surplus accounts, respectively, with $249,000 (2006 – $767,000; 2005 – $161,000) being charged to retained earnings.

During 2007 and 2006, the Company did not incur any share issue costs. During 2005, the Company incurred share issue costs of $1,969,000 less a future tax recovery of $465,000.

During 2007, the Company recognized a stock-based compensation expense of $3,452,000 (2006 – $2,224,000; 2005 – $1,814,000) in administrative and marketing expenses. Of the amount expensed, $1,919,000 related to the fair value of options granted (2006 – $1,078,000; 2005 – $963,000), $1,416,000 related to deferred share unit compensation (2006 – $576,000; 2005 – $519,000), and $117,000 related to the restricted shares issued on the Keith acquisition (2006 – $570,000; 2005 – $332,000). The fair value of options granted was reflected through

contributed surplus; the deferred share unit compensation was reflected through accrued liabilities; and the restricted shares were reflected through deferred stock compensation. Upon the exercise of share options for which a stock-based compensation expense has been recognized, the cash paid together with the related portion of contributed surplus is credited to share capital. Upon the vesting of restricted shares for which a stock-based compensation expense has been recognized, the related portion of contributed surplus is credited to share capital.

On May 4, 2006, the shareholders of the Company approved the subdivision of its issued common shares on a two-for-one basis, effective for registered common shares at the close of business on May 19, 2006. All references to common shares, per share amounts, and stock-based compensation plans in these consolidated financial statements have been restated to reflect the stock split on a retroactive basis.

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 seven 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 4,514,126 common shares. At December 31, 2007, 2,181,732 options were available for issue.

The Company has granted share options to officers and employees to purchase 1,751,022 shares at prices between $7.25 and $30.61 per share. These options expire on dates between October 9, 2009, and August 17, 2014.

	2007		2006		2005	
	Shares #	**Weighted Average Exercise Price $**	Shares #	Weighted Average Exercise Price $	**Shares #**	Weighted Average Exercise Price $
Share options, beginning of the year	**1,702,784**	**11.92**	1,876,528	6.94	2,142,666	6.67
Granted	**467,500**	**30.61**	471,000	20.40	-	-
Exercised	**(386,598)**	**4.97**	(607,080)	3.07	(240,140)	4.00
Forfeited	**(31,664)**	**18.69**	(35,664)	12.59	(25,998)	11.85
Cancelled	**(1,000)**	**20.42**	(2,000)	10.50	-	-
Share options, end of the year	**1,751,022**	**18.32**	1,702,784	11.92	1,876,528	6.94

The options held by officers and employees at December 31, 2007, 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 $
7.25 – 9.42	**260,800**	**2.11**	**7.93**	**260,800**	**2.11**	**7.93**
10.50–13.55	**592,054**	**3.87**	**11.68**	**532,054**	**3.74**	**11.47**
20.37–20.42	**430,668**	**5.65**	**20.39**	**138,342**	**5.65**	**20.39**
30.61	**467,500**	**6.63**	**30.61**	**-**	**-**	**-**
7.25–30.61	**1,751,022**	**4.78**	**18.32**	**931,196**	**3.57**	**11.80**

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 Black-Scholes option valuation 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 both at the share market price on the grant date and in excess of the share market price on the grant date was determined using the weighted average assumptions indicated below. No options were granted in 2005.

	2007	2006
	Granted at Market	Granted at Market
Risk-free interest rate (%)	**4.31**	4.05
Expected hold period to exercise (years)	**5.5**	6.0
Volatility in the price of the Company's shares (%)	**27.5**	29.4
Weighted average fair value per option ($)	**10.65**	7.59

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, 2007, and of changes in the year are as follows:

	Number of Shares Subject to Option #	Weighted Average Grant Date Fair Value $
Non-vested, beginning of the year	**680,664**	**6.29**
Granted	**467,500**	**10.65**
Vested	**(296,674)**	**5.67**
Forfeited	**(31,664)**	**6.89**
Non-vested share options, end of the year	**819,826**	**8.98**

As of December 31, 2007, 819,826 options remained unvested, and a total unrecognized compensation cost of $5,339,000 related to the Company's share option plans. This cost is expected to be recognized over a weighted average period of 2.25 years.

For all outstanding options at December 31, 2007, the aggregate intrinsic value was $36.0 million. For fully vested share options and share options expected to vest at December 31, 2007, the aggregate intrinsic value was $34.7 million. For options exercisable at December 31, 2007, the intrinsic value at December 31, 2007, was $25.2 million. The total intrinsic value of options exercised during the years ended December 31, 2007, 2006, and 2005, was $8.2 million, $9.8 million, and $2.7 million, respectively.

Deferred share units

Under the Company's deferred share unit plan, outside directors of the Company may receive deferred share units equal to one common share. Upon death or retirement, deferred share units are paid out to the directors in the form of cash and valued at the market price of the Company's common shares on the last trading day of the month of death or retirement. Deferred share units cannot be paid in the form of Company shares. In 2007, $450,000 deferred share units were paid (2006 – $159,000; 2005 – nil). These units are recorded at fair value based on the current market price of the Company's common shares. As at December 31, 2007, 56,000 units were outstanding (2006 –48,000; 2005 – 40,000).

Restricted shares

In 2005 the former shareholders of Keith received restricted shares in connection with the acquisition of Keith. These restricted shares vest over a period ending April 1, 2008. Upon the vesting of restricted shares, common shares are issued. As at December 31, 2007, 5,792 restricted shares were outstanding (2006 – 55,666; 2005 – 117,392).

13. Accumulated Other Comprehensive Income

(In thousands of Canadian dollars)	Cumulative Translation Adjustments $	Unrealized Gains on Financial Assets $	Realized Gains Transferred to Net Income $	Total $
Balance, December 31, 2004	(19,018)	**-**	**-**	(19,018)
Current period activity	(6,557)	**-**	**-**	(6,557)
Balance, December 31, 2005	(25,575)	**-**	**-**	(25,575)
Balance, December 31, 2005	(25,575)	-	-	(25,575)
Current period activity	731	-	-	731
Balance, December 31, 2006	(24,844)	-	-	(24,844)
Balance, December 31, 2006	**(24,844)**	-	-	**(24,844)**
Change in accounting policy *(note 1)*	-	**481**	-	**481**
Balance, January 1, 2007, as adjusted	**(24,844)**	**481**	-	**(24,363)**
Current period activity	**(45,669)**	**1,280**	**(249)**	**(44,638)**
Income tax effect	**-**	**(31)**	**4**	**(27)**
Balance, December 31, 2007	**(70,513)**	**1,730**	**(245)**	**(69,028)**

The foreign currency cumulative translation adjustments represent the unrealized gain or loss on the Company's net investment in self-sustaining US-based operations. The change in the cumulative translation adjustments during the year relates to the fluctuation in the value of the Canadian dollar relative to the US dollar. Balance sheet accounts denominated in US dollars have been translated to Canadian dollars at the rate of 0.9913 (December 31, 2006 –1.1654; 2005 – 1.1630) .

14. 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:

	2007	2006	2005
	%	%	%
Income tax expense at statutory Canadian rates	**33.6**	34.1	34.8
Increase (decrease) resulting from:			
Income from associated companies	**(0.1)**	(0.1)	(0.1)
Rate differential on foreign income	**(0.9)**	1.1	0.7
Non-deductible expenses:			
Meals and entertainment	**0.9**	0.9	1.1
Stock-based compensation	**-**	0.3	0.5
Non-taxable foreign income net of non-creditable withholding taxes	**(3.2)**	(2.9)	(1.6)
Other	**(0.2)**	(0.7)	(0.4)
	30.1	32.7	35.0

Since the Company operates in several tax jurisdictions, its income is subject to various rates of taxation. The details of income before income taxes are as follows:

	2007	2006	2005
(In thousands of Canadian dollars)	**$**	$	$
Domestic	**101,433**	79,109	61,323
Foreign	**(2,319)**	10,315	1,177
Total income before income taxes	**99,114**	89,424	62,500

The details of the income tax expense (recovery) are as follows:

	2007	2006	2005
(In thousands of Canadian dollars)	**$**	$	$
Current: Domestic	**34,179**	25,766	21,172
Foreign	**815**	5,718	563
Total current expense	**34,994**	31,484	21,735
Future: Domestic	**(1,598)**	725	5
Foreign	**(3,561)**	(2,967)	138
Total future expense	**(5,159)**	(2,242)	143
Total: Domestic	**32,581**	26,491	21,177
Foreign	**(2,746)**	2,751	701
Total income tax expense	**29,835**	29,242	21,878

Significant components of the Company's future income tax assets and liabilities are as follows:

(In thousands of Canadian dollars)	**2007** **$**	2006 $
Future income tax assets		
Differences in timing of deductibility of expenses	**18,101**	12,599
Loss carryforwards	**4,171**	4,199
Share issue and other financing costs	**220**	347
Tax cost of property and equipment in excess of carrying value	**451**	332
Deferred gain on sale of building	**1,224**	1,359
Other	**1,215**	859
	25,382	19,695
Less current portion	**13,308**	9,711
	12,074	9,984

(In thousands of Canadian dollars)	**2007** **$**	2006 $
Future income tax liabilities		
Cash to accrual adjustments on acquisitions of US subsidiaries	**4,285**	2,512
Differences in timing of taxability of revenues	**6,804**	10,463
Carrying value of property and equipment in excess of tax cost	**10,422**	7,970
Carrying value of intangible assets in excess of tax cost	**9,945**	8,822
Other	**1,012**	742
	32,468	30,509
Less current portion	**11,750**	12,236
	20,718	18,273

At December 31, 2007, loss carryforwards of approximately $6,931,000 (2006 – $3,541,000) are available to reduce the taxable income of certain Canadian subsidiaries. These losses expire as set out below:

(In thousands of Canadian dollars)	**$**
2010	315
2014	502
2015	18
2026	1,251
2027	4,845
	6,931

In addition, the Company has federal loss carryforwards of approximately $7,187,000 (2006 – $6,262,000) that are available to reduce the taxable income of certain US subsidiaries and that expire at varying times over the next 20 years.

The potential income tax benefits that will result from the application of Canadian and US tax losses have been recognized in these consolidated financial statements.

15. Earnings Per Share

The number of basic and diluted common shares outstanding, as calculated on a weighted average basis, is as follows:

	2007	2006	2005
	#	#	#
Basic shares outstanding	**45,577,261**	45,068,266	39,840,234
Share options (dilutive effect of 1,751,022 options; 2006 – 1,702,784; 2005 – 1,876,528)	**630,280**	648,430	1,067,584
Restricted shares (dilutive effect of 5,792 restricted shares; 2006 – 55,666; 2005 – 117,392)	**19,156**	74,813	34,414
Diluted shares outstanding	**46,226,697**	45,791,509	40,942,232

16. Cash Flows From (Used In) Operating Activities

Cash flows from operating activities determined by the indirect method are as follows:

	2007	2006	2005
(In thousands of Canadian dollars)	**$**	$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year	**69,279**	60,182	40,622
Add (deduct) items not affecting cash:			
Depreciation of property and equipment	**19,038**	15,604	12,389
Amortization of intangible assets	**3,702**	6,132	2,542
Future income tax	**(5,159)**	(2,242)	143
Loss (gain) on dispositions of investments and property and equipment	**(1,085)**	(1,238)	562
Stock-based compensation expense	**3,452**	2,224	1,814
Provision for self-insured liability	**6,153**	6,329	8,244
Other non-cash items	**(2,135)**	(994)	(1,332)
Share of income from equity investments	**(292)**	(285)	(187)
Dividends from equity investments	**450**	450	550
	93,403	86,162	65,347
Change in non-cash working capital accounts:			
Accounts receivable	**20,848**	(14,117)	15,748
Costs and estimated earnings in excess of billings	**(25,067)**	23,029	(19,572)
Prepaid expenses	**1,715**	(269)	487
Accounts payable and accrued liabilities	**(11,106)**	(3,958)	(1,177)
Billings in excess of costs and estimated earnings	**3,485**	4,590	1,664
Income taxes payable/recoverable	**4,221**	(2,048)	(5,183)
	(5,904)	7,227	(8,033)
Cash flows from operating activities	**87,499**	93,389	57,314

17. Joint Ventures

The Company participates in joint ventures with other parties as follows:

	Percentage Owned		
	2007	2006	2005
	%	%	%
yyC.T. Joint Venture	**17**	17	20
Stantec – S&L Partnership	**50**	50	50
Edmonton International Airports Joint Venture	**33**	33	33
Pine Creek Consultants Joint Venture	**n/a**	33	33
Dunlop Joint Ventures	**33–68**	33–80	33–80
Stantec Architecture Ltd./J.L. Richards & Associates Joint Venture	**50**	50	50
Stantec /Parkin Joint Venture	**67**	-	-
Faulkner Brown/Chong Joint Venture	**50**	-	-
Smith/Chong Joint Venture	**50**	-	-
Coleson Power Joint Venture	**50**	-	-
Accent Engineering Consultants, Inc. Joint Venture	**40**	-	-
FFEB Joint Venture	**30**	-	-

In 2004, as part of the acquisition of Dunlop Architects Inc. (Dunlop), the Company acquired the interest of 13 joint ventures entered into by Dunlop, with 11 remaining active at December 31, 2006. In 2007, with the acquisition of Murphy Hilgers Architects Inc., four of the 11 joint ventures became 100% owned by the Company, leaving seven of the joint ventures originally entered into by Dunlop active as at December 31, 2007.

As at December 31, 2007, the Company has five active joint ventures—Faulkner Brown/Chong Joint Venture, Smith/Chong Joint Venture, Coleson Power Joint Venture, Accent Engineering Consultants, Inc. Joint Venture, and FFEB Joint Venture—that were acquired in the year as part of the acquisition of Chong Partners Architecture, Inc., Neill and Gunter Limited, Neill and Gunter (Nova Scotia) Limited, and Fuller, Mossbarger, Scott & May Engineers, Inc.

A summary of the assets, liabilities, revenues, expenses, and cash flows included in the consolidated financial statements related to joint ventures is as follows:

	2007	2006	2005
(In thousands of Canadian dollars)	**$**	$	$
Statement of income			
Gross revenue	**4,464**	4,451	5,941
Subconsultant and other direct expenses	**3,912**	4,612	5,072
Administrative and marketing expenses	**129**	75	147
Net income (loss) for the year	**423**	(236)	722
Balance sheets			
Current assets	**5,536**	2,086	3,743
Current liabilities	**4,867**	1,800	2,842
Statement of cash flows			
Cash flows from (used in) operating activities	**(493)**	173	(488)

18. Segmented Information

The Company provides comprehensive professional services in the area of infrastructure and facilities throughout North America and internationally. The Company 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 chief executive officer of the Company, and the Company's operating segments are based on its regional geographic areas.

The Company has three operating segments, which are aggregated into the Consulting Services reportable segment.

Geographic information

	Property and Equipment, Goodwill, Intangible Assets	
	2007	2006
(In thousands of Canadian dollars)	**$**	$
Canada	**154,404**	106,497
United States	**298,470**	232,387
International	**492**	435
	453,366	339,319

Geographic information

	Gross Revenue		
	2007	2006	2005
(In thousands of Canadian dollars)	**$**	$	$
Canada	**539,349**	461,281	380,471
United States	**405,195**	348,055	233,428
International	**10,075**	6,797	4,121
	954,619	816,133	618,020

Gross revenue is attributed to countries based on the location of the work performed.

Practice area information

	Gross Revenue		
	2007	2006	2005
(In thousands of Canadian dollars)	$	$	$
Consulting Services			
Buildings	**211,801**	184,254	147,432
Environment	**175,936**	149,376	103,353
Industrial	**138,977**	94,806	67,834
Transportation	**143,140**	106,026	90,559
Urban Land	**284,765**	281,671	208,842
	954,619	816,133	618,020

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.

19. Employee Future Benefits

In 2007 the Company recorded an expense of $13,863,000 (2006 – $11,567,000; 2005 – $8,436,000) for contributions made to defined contribution plans in the year.

20. Financial Instruments—Forward Contracts

As at December 31, 2007, the Company had entered into a foreign currency forward contract that provided for the purchase of US$34.1 million at the rate of 0.9804 per US dollar. As at December 31, 2006, the Company had entered into a foreign currency forward contract that provided for the sale of US$4.5 million at the rate of 1.1608 per US dollar. These derivative financial instruments were entered into to mitigate foreign currency fluctuation risk on net operating assets or liabilities denominated in US dollars. The fair value of these contracts, estimated using market rates at December 31, 2007, resulted in a gain of $371,145, (2006 – loss of $19,167). The unrealized gains and losses relating to these derivative financial instruments were recorded in foreign exchange gains.

21. 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. Investment tax credits of $1,662,000 (2006 – $500,000; 2005 – $1,239,000) were recorded and reduced administrative and marketing expenses.

22. US GAAP

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with accounting principles generally accepted in Canada that, in most respects, conform to accounting principles generally accepted in the United States. The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with US GAAP. Investments in joint ventures are accounted for using the equity method under US GAAP, whereas Canadian GAAP requires the proportionate consolidation method. As permitted by the SEC, disclosure of the effect of this difference is not required.

a) Other disclosure requirements

i) Net income and comprehensive income

There are no identifiable material items that would result in a change in net income presented under Canadian GAAP and US GAAP.

Comprehensive income is measured in accordance with Statement of Financial Accounting Standards No. 130, “Reporting Comprehensive Income” (SFAS 130). This standard defines comprehensive income as all changes in equity other than those resulting from investments by owners and distributions to owners and includes adjustments arising on the translation of self-sustaining foreign operations. As well, under US GAAP, comprehensive income includes the difference between the recorded and fair value of the Company’s investments held for self-insured liabilities since these investments are classified as available for sale (note 6). Effective January 1, 2007, the Company is required to provide similar disclosure under Canadian GAAP, on a prospective basis, in the consolidated statements of shareholders' equity and comprehensive income as described in note 1.

Statement of Comprehensive Income

(In thousands of Canadian dollars)	**2006** **$**	**2005** $
Net income under Canadian and US GAAP	**60,182**	40,622
Other comprehensive income, net of tax:		
Unrealized foreign exchange gain (loss) on translation of self-sustaining foreign operations	**731**	(6,557)
Unrealized gains on financial assets	**217**	227
Comprehensive Income	**61,130**	34,292
Accumulated other comprehensive income, beginning of the year	**(25,311)**	(18,981)
Unrealized foreign exchange gain (loss) on translation of self-sustaining foreign operations	**731**	(6,557)
Unrealized gains on financial assets	**217**	227
Accumulated other comprehensive income, end of the year	**(24,363)**	(25,311)

ii) Allowance for doubtful accounts

(In thousands of Canadian dollars)	**2007** **$**	2006 $	2005 $
Balance, beginning of the year	**6,303**	10,423	21,095
Provision for doubtful accounts	**17,221**	6,681	1,706
Deductions	**(11,275)**	(11,061)	(12,163)
Impact of foreign exchange	**(1,741)**	260	(215)
Balance, end of the year	**10,508**	6,303	10,423

Comparative figures have been restated to eliminate allowances from accounts receivable assumed from acquired companies. Accounts receivables assumed from acquired companies are recognized at their fair value at the time of acquisition.

iii) Liabilities for uncertain tax positions

The Company files income tax returns in the Canadian federal jurisdiction, US federal jurisdiction, and various provinces, states, and foreign jurisdictions. With few exceptions, the Company is no longer subject to Canadian and US corporate income taxes or income tax examinations by the tax authorities of other foreign jurisdictions for years before 2002.

(In thousands of Canadian dollars)	**2007** **$**
Opening balance upon adoption of accounting policy	**1,243**
Additions based on tax positions related to the current year	**96**
Additions based on tax positions related to the prior year	**218**
Impact of foreign exchange	**(145)**
Balance, end of year	**1,412**

The Company's policy is to recognize interest and penalties relating to liabilities for unrecognized tax benefits in interest expense. The liability for interest and penalties relating to unrecognized tax benefits is recorded in accrued liabilities. During the year ended December 31, 2007, the Company recognized approximately $942,000 ($585,000 net of tax) in interest and penalties. A significant portion of the interest and penalties recognized in 2007 related to a

preacquisition Internal Revenue Service (IRS) audit. The Company had approximately $1,362,000 ($882,000 net of tax) for the payment of interest and penalties accrued at December 31, 2007.

Approximately $1,194,000 of unrecognized tax benefits, if recognized, would impact the Company's effective tax rate.

During the next 12 months, it is reasonably possible that the Company's unrecognized tax benefits may change as a result of the following:

- The Company expects to settle a preacquisition IRS audit within the next 12 months. The significant item under review is the recognition of costs and estimated earnings in excess of billings for income tax purposes.

- The Company expects to receive Notices of Assessment from the Canada Revenue Agency within the next 12 months with respect to its 2006 claim for scientific research and experimental development efforts.

As a result of implementing the Financial Accounting Standards Board (FASB) Interpretation No. 48 on January 1, 2007, the Company reclassified the uncertain tax benefit from future income taxes, and there was no impact on retained earnings. The amount of unrecognized tax benefits as of the date of adoption was $1,243,000.

b) Recent accounting pronouncements

Stock-based compensation

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (SFAS 123R), effective for the first interim or annual financial statements beginning on or after June 15, 2005. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in financial statements based on their fair values. The Company recognizes share-based payments at fair value for options granted subsequent to January 1, 2002, using the Black-Scholes option-pricing model. The Company has adopted SFAS 123R using the modified-prospective transition method. The adoption of the modified-prospective transition method has resulted in no additional share option expense being recognized as part of the reconciliation of Canadian and US GAAP disclosures in these consolidated financial statements.

Uncertainty in income taxes

In June 2006, the FASB issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes—An Interpretation of FAS Statement No. 109” (FIN 48), effective for fiscal years beginning on or after December 15, 2006. FIN 48 creates a single model for addressing the accounting for uncertainty in tax positions. It also clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in financial statements. In addition, this interpretation provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted FIN 48 as of January 1, 2007, as required. The adoption of this pronouncement had no material effect on the Company’s financial position or results of operations.

Fair value measurements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (SFAS 157), effective for fiscal years beginning after November 15, 2007. SFAS 157 establishes a framework for measuring fair value under US GAAP and requires additional disclosure. The statement defines a fair value hierarchy, with the highest priority being quoted prices in active markets. Under this statement, fair value measurements are disclosed by level within the hierarchy. This standard does not require any new fair value measurements. The Company is currently considering the impact of the adoption of this standard on its consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment to FASB Statement No. 115” (SFAS 159), effective for fiscal years beginning after November 15, 2007, although early adoption is permitted. SFAS 159 allows an entity to choose to measure certain financial instruments and other items at fair value that are not currently required to be measured at fair value. At each subsequent reporting period, unrealized gains and losses would be reported in earnings on items for which the fair value option has been elected. The adoption of this standard is not expected to have an effect on the Company’s financial position or results of operations.

Business combinations

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, “Business Combinations” (SFAS 141R), effective for fiscal years beginning after December 15, 2008. This pronouncement changes the accounting for business combinations in a number of areas. SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree, and the goodwill acquired. The statement also establishes disclosure requirements that will enable users of the financial statements to evaluate the nature and financial effects of the business combination. Although the Company is currently considering the impact of the adoption of this standard on its consolidated financial statements, it will be limited to any future acquisitions beginning in fiscal 2009.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, “Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51” (SFAS 160), effective for fiscal years beginning after December 15, 2008. SFAS 160 changes the accounting and reporting for ownership interests in subsidiaries held by parties other than the parent. These non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent’s equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, SFAS 160 establishes standards for a change in a parent’s ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. It also establishes reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Company is currently considering the impact of the adoption of this standard on its consolidated financial statements.

23. Subsequent Events

Acquisitions

On January 2, 2008, the Company acquired the shares and business of R.D. Zande. The acquisition of this firm strengthens the Company's operations in the midwestern United States and increases the depth of its service offerings to public sector clients in the environment sector. R.D. Zande provides services mainly in water and wastewater treatment facility design, environmental management, and transportation, as well as complementary services in planning, landscape architecture, surveying, and land development.

On January 2, 2008, the Company acquired the net assets and business of Rochester Signal, Inc. The addition of this firm supplements the transit-related services offered by the Company's Rochester, New York, office. Rochester Signal, Inc. provides signal design, construction management, installation, and testing services, along with engineering support for the development of all types of rail systems, from main and commuter lines to rapid transit and light rail.

On February 1, 2008, the Company acquired the shares and business of SII Holdings, Inc. (Secor). The acquisition of this firm significantly increases the Company’s service offerings in the environment sector. Secor provides expertise in downstream marketing remedial services to the US energy industry, as well as comprehensive environmental remediation services to the manufacturing, chemical, pulp and paper, and transportation industries.

R.D. Zande, Rochester Signal, Inc., and Secor were acquired for an aggregate cash consideration of $67,027,000 and promissory notes of $10,692,000.

Revolving credit facility

On January 22, 2008, the Company reached an agreement to increase the limit of its existing revolving credit facility from $160 million to $250 million. Depending on the form under which the credit facility is accessed and on the Company's debt to earnings ratio, rates of interest will vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates plus 65, 85, or 125 basis points. The agreement also includes a provision for access to an additional $50 million under the same terms and conditions upon approval from the lenders.

24. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

Board of Directors

Aram Keith
Irvine, California
Vice Chairman of the Board,
Stantec Inc.

Robert J. Bradshaw 2
Toronto, Ontario
Chairman,
Contor Industries Limited

Robert R. Mesel 1
Kiawah Island, South
Carolina
Corporate Director

Anthony P. Franceschini
Edmonton, Alberta
President & CEO,
Stantec Inc.

William D. Grace 1, 2
Edmonton, Alberta
Corporate Director

Susan E. Hartman 2
Rochester, New York
President and Owner,
The Hartman Group

Ivor Ruste 1
Calgary, Alberta
Executive Vice President
and Chief Risk Offi cer,
EnCana Corporation

Ronald P. Triffo
Edmonton, Alberta
Chairman of the Board,
Stantec Inc.
[1] Audit Committee
[2] Corporate Governance and
Compensation Committee

Offi cers

Ronald P. Triffo
Chairman

Anthony P. Franceschini
President & CEO

Mark Jackson
Senior Vice President &
COO

Donald W. Wilson
Senior Vice President &
CFO

Jeffrey S. Lloyd
Vice President & Secretary

Shareholder Information

Transfer Agent

Computershare Trust
Company of Canada
Calgary, Alberta

Auditors

Ernst & Young LLP
Chartered Accountants
Edmonton, Alberta

Principal Bank

Canadian Imperial Bank
of Commerce

Securities Exchange Listing

Stantec shares are traded on the TSX under the symbol STN and on the NYSE under the symbol SXC.

Investor Relations

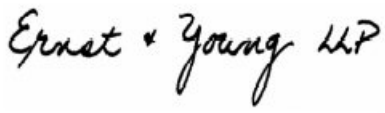
Stantec Inc.
10160 - 112 Street
Edmonton AB
Canada T5K 2L6
Tel: (780) 917-7000
Fax: (780) 917-7330
ir@stantec.com

Annual Meeting

May 1, 2008
11:00 AM MDT
Enterprise Square
10230 Jasper Avenue
Edmonton, Alberta
Canada

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 20, 2008, 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 2007 Annual Report to Shareholders of the Company.



Edmonton, Canada
February 20, 2008

Chartered Accountants

ERNST & YOUNG

Exhibit 99.6

CERTIFICATION
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a), PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, **ANTHONY P. FRANCESCHINI**, 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.

Stantec Inc.

Date: March 27, 2008

By: /s/ Anthony P. Franceschini
Name: ANTHONY P. FRANCESCHINI, P. ENG
Title: President & Chief Executive 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, **DONALD W. WILSON**, 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.

Stantec Inc.

Date: March 27, 2008

By: /s/ Donald W. Wilson
Name: DONALD W. WILSON, CA
Title: Senior Vice President & Chief Financial Officer

Exhibit 99.7

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, 2007 (the “Report”) with the United States Securities and Exchange Commission.

I, Anthony P. Franceschini, 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.

Stantec Inc.

Date: March 27, 2008

By: /s/ Anthony P. Franceschini
Name: ANTHONY P. FRANCESCHINI, P. ENG
Title: President & Chief Executive 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, 2007 (the “Report”) with the United States Securities and Exchange Commission.

I, Donald W. Wilson, 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 theSecurities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, thefinancial condition and results of operations of the Company.

Stantec Inc.

Date: March 27, 2008

By: /s/ Donald W. Wilson
Name: DONALD W. WILSON, CA
Title: Senior Vice President & Chief Financial Officer



Computershare

9th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1
www.computershare.com

Security Class

Holder Account Number

Fold

Voting Instruction Form ("VIF") - Annual General Meeting to be held on May 1, 2008

NON-REGISTERED (BENEFICIAL) SHAREHOLDERS

1. We are sending to you the enclosed proxy-related materials that relate to a meeting of the holders of the series or class of securities that are held on your behalf by the intermediary identified above. Unless you attend the meeting and vote in person, your securities can be voted only by management, as proxy holder of the registered holder, in accordance with your instructions.
2. We are prohibited from voting these securities on any of the matters to be acted upon at the meeting without your specific voting instructions. In order for these securities to be voted at the meeting, it will be necessary for us to have your specific voting instructions. Please complete and return the information requested in this VIF to provide your voting instructions to us promptly.
3. If you wish to attend the meeting in person or appoint some other person or company, who need not be a shareholder, to attend and act on your behalf at the meeting, please insert your name(s) or the name of your chosen appointee in the space provided (please see reverse).
4. This VIF should be signed by you in the exact manner as your name appears on the VIF. If these voting instructions are given on behalf of a body corporate set out the full legal name of the body corporate, the name and position of the person giving voting instructions on behalf of the body corporate and the address for service of the body corporate.
5. If this VIF is not dated, it will be deemed to bear the date on which it is mailed by management to you.
6. **When properly signed and delivered, securities represented by this VIF will be voted as directed by you, however, if such a direction is not made in respect of any matter, the VIF will direct the voting of the securities to be made as recommended in the documentation provided by Management for the meeting.**
7. This VIF confers discretionary authority on the appointee to vote as the appointee sees fit in respect of amendments or variations to matters identified in the notice of meeting or other matters as may properly come before the meeting or any adjournment thereof.
8. Should you wish to receive a legal form of proxy, please write to Computershare at the address indicated above and one will be sent to you by mail. Please remember that a legal proxy is subject to all the terms and conditions that apply to proxies as outlined in the documentation provided by Management including any cut-off time for receipt.
9. Your voting instructions will be recorded on receipt of the VIF and a legal form of proxy will be submitted on your behalf.
10. By providing voting instructions as requested, you are acknowledging that you are the beneficial owner of, and are entitled to instruct us with respect to the voting of, these securities.
11. If you have any questions regarding the enclosed documents, please contact the Registered Representative who services your account.
12. This VIF should be read in conjunction with the accompanying documentation provided by Management.

Fold

VIFs submitted must be received by 11:00 am, Mountain Time, on April 29, 2008.

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1-866-734-VOTE (8683) Toll Free



To Vote Using the Internet

- Go to the following web site: www.investorvote.com

If you vote by telephone or the Internet, DO NOT mail back this VIF.

Voting by mail may be the only method for securities held in the name of a corporation or securities being voted on behalf of another individual.

Voting by mail or by Internet are the only methods by which a holder may choose an appointee other than the Management appointees named on the reverse of this VIF. Instead of mailing this VIF, you may choose one of the two voting methods outlined above to vote this VIF.

To vote by telephone or the Internet, you will need to provide your CONTROL NUMBER, HOLDER ACCOUNT NUMBER and ACCESS NUMBER listed below.

CONTROL NUMBER	HOLDER ACCOUNT NUMBER	ACCESS NUMBER

Appointee(s)

Management appointees are: Ronald Triffo, Chairman of Stantec Inc., or failing him, Anthony P. Franceschini, President and CEO of Stantec Inc.

OR

If you wish to attend in person or appoint someone else to attend on your behalf, print your name or the name of your appointee in this space (see Note #3 on reverse).

as my/our proxyholder with full power of substitution and to vote in accordance with the following direction (or if no directions have been given, as the proxyholder sees fit) and all other matters that may properly come before the Annual General Meeting of **Stantec Inc.** to be held at Enterprise Square, 10230 Jasper Ave., Edmonton, AB, T5J 4P6, on May 1, 2008 at 11:00 AM and at any adjournment thereof.

VOTING RECOMMENDATIONS ARE INDICATED BY HIGHLIGHTED TEXT OVER THE BOXES.

1. Election of Directors

	For	Withhold		For	Withhold		For	Withhold
01. Robert J. Bradshaw	☐	☐	02. Anthony P. Franceschini	☐	☐	03. Susan E. Hartman	☐	☐
04. Aram H. Keith	☐	☐	05. Robert R. Mesel	☐	☐	06. Ivor M. Ruste	☐	☐
07. Ronald Triffo	☐	☐						

Fold

2. Appointment of Auditors

	For	Withhold
The reappointment of Ernst & Young, Chartered Accountants, as Stantec's auditor and authorizing the directors to fix the auditor's remuneration.	☐	☐

Fold

Authorized Signature(s) - This section must be completed for your instructions to be executed.

If you are voting on behalf of a corporation or another individual you may be required to provide documentation evidencing your power to sign this VIF with signing capacity stated.

Signature(s)

Date

MM / DD / YY

Interim Financial Statements

Mark this box if you would like to receive interim financial statements and accompanying Management's Discussion and Analysis by mail. ☐

Annual Report

Mark this box if you would like to receive the Financial Statements and accompanying Management's Discussion and Analysis by mail. ☐

Should you wish to receive a legal proxy, refer to Note #8 on reverse.

If you are not mailing back your proxy, you may register online to receive the above financial report(s) by mail at www.computershare.com/mailinglist.

Stantec

Computershare

9th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1
www.computershare.com

Security Class

Holder Account Number

Fold

Form of Proxy - Annual General Meeting to be held on May 1, 2008

This Form of Proxy is solicited by and on behalf of Management.

Notes to proxy

1. Every holder has the right to appoint some other person or company of their choice, who need not be a holder, to attend and act on their behalf at the meeting. If you wish to appoint a person or company other than the persons whose names are printed herein, please insert the name of your chosen proxyholder in the space provided (see reverse).
2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc.), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you may be required to provide documentation evidencing your power to sign this proxy with signing capacity stated.
3. This proxy should be signed in the exact manner as the name appears on the proxy.
4. If this proxy is not dated, it will be deemed to bear the date on which it is mailed by Management to the holder.
5. The securities represented by this proxy will be voted as directed by the holder, however, if such a direction is not made in respect of any matter, this proxy will be voted as recommended by Management.
6. The securities represented by this proxy will be voted or withheld from voting, in accordance with the instructions of the holder, on any ballot that may be called for and, if the holder has specified a choice with respect to any matter to be acted on, the securities will be voted accordingly.
7. This proxy confers discretionary authority in respect of amendments to matters identified in the Notice of Meeting or other matters that may properly come before the meeting.
8. This proxy should be read in conjunction with the accompanying documentation provided by Management.

Proxies submitted must be received by 11:00 am, Mountain Time, on April 29, 2008.

Fold

VOTE USING THE TELEPHONE OR INTERNET 24 HOURS A DAY 7 DAYS A WEEK!

To Vote Using the Telephone

- Call the number listed BELOW from a touch tone telephone.

1-866-732-VOTE (8683) Toll Free

To Vote Using the Internet

- Go to the following web site: www.investorvote.com

To Receive Documents Electronically

- You can enroll to receive future securityholder communications electronically, by visiting www.computershare.com - click "Enroll for e-delivery" under the Shareholder Services menu.

If you vote by telephone or the Internet, DO NOT mail back this proxy.

Voting by mail may be the only method for securities held in the name of a corporation or securities being voted on behalf of another individual.

Voting by mail or by Internet are the only methods by which a holder may appoint a person as proxyholder other than the Management nominees named on the reverse of this proxy. Instead of mailing this proxy, you may choose one of the two voting methods outlined above to vote this proxy.

To vote by telephone or the Internet, you will need to provide your CONTROL NUMBER, HOLDER ACCOUNT NUMBER and ACCESS NUMBER listed below.

Appointment of Proxyholder

I/We, being shareholder(s) of Stantec Inc. (the "Corporation") hereby appoint: Ronald Triffo, Chairman of Stantec Inc., or failing him, Anthony P. Franceschini, President and CEO of Stantec Inc.

OR

Enter the name of the person you are appointing if this person is someone other than the foregoing.

as my/our proxyholder with full power of substitution and to vote in accordance with the following direction (or if no directions have been given, as the proxyholder sees fit) and all other matters that may properly come before the Annual General Meeting of Stantec Inc. to be held at Enterprise Square, 10230 Jasper Ave., Edmonton, AB T5J 4P6 on May 1, 2008 at 11:00 AM and at any adjournment thereof.

VOTING RECOMMENDATIONS ARE INDICATED BY **HIGHLIGHTED TEXT** OVER THE BOXES.

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	For	Withhold		For	Withhold		For	Withhold
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04. Aram H. Keith	☐	☐	05. Robert R. Mesel	☐	☐	06. Ivor M. Ruste	☐	☐
07. Ronald Triffo	☐	☐						

Fold

2. Appointment of Auditors

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For	Withhold
☐	☐

Fold

Authorized Signature(s) - This section must be completed for your instructions to be executed.

I/We authorize you to act in accordance with my/our instructions set out above. I/We hereby revoke any proxy previously given with respect to the Meeting. If no voting instructions are indicated above, this Proxy will be voted as recommended by Management.

Signature(s)

Date

MM / DD / YY

Interim Financial Statements

Mark this box if you would like to receive interim financial statements and accompanying Management's Discussion and Analysis by mail. ☐

Annual Report

Mark this box if you would NOT like to receive the Financial Statements and accompanying Management's Discussion and Analysis by mail. ☐

If you are not mailing back your proxy, you may register online to receive the above financial report(s) by mail at www.computershare.com/mailinglist.