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

FORM 40-F

[] REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended December 31, 2010

Commission File Number: 001-32562

STANTEC INC.

(Exact name of Registrant as specified in its charter)

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

Canada

(Province or other jurisdiction of incorporation or organization)

8711

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

N/A

(I.R.S. Employer Identification Number (if applicable))

10160 – 112 Street, Edmonton, Alberta, Canada T5K 2L6

(Address and telephone number of Registrant's principal executive offices)

Stantec Consulting Services Inc., 19 Technology Drive, Irvine, CA 92618-2334 (949) 923-6000

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

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

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

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

None.

(Title of Class)

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

None.

(Title of Class)

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

[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, 2010 – 45,768,320 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 []

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes [] No []

DISCLOSURE CONTROLS AND PROCEDURES

The disclosure provided under “Controls and Procedures” on page M-66 of Exhibit 2, Management’s Discussion and Analysis, is incorporated by reference herein.

MANAGEMENT’S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The disclosure provided under “Management Report” on page F-1 of Exhibit 3, 2010 Audited Consolidated Financial Statements, is incorporated by reference herein.

AUDITOR ATTESTATION

The disclosure provided under “Independent Auditors’ Report on Internal Control Over Financial Reporting” on page F-3 of Exhibit 3, 2010 Audited Consolidated Financial Statements, is incorporated by reference herein.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The disclosure provided under “Controls and Procedures” on page M-66 of Exhibit 2, Management’s Discussion and Analysis, is incorporated by reference herein.

IDENTIFICATION OF THE AUDIT COMMITTEE

On December 31, 2010, Stantec’s audit and risk committee was made up of the following three members: Ivor M. Ruste (Chair), Susan E. Hartman, and David L. Emerson.

AUDIT COMMITTEE FINANCIAL EXPERT

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

CODE OF ETHICS

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

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

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

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

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

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The disclosure provided under "External Auditor Service Fees" on page 16 of Exhibit 1, Annual Information Form, is incorporated by reference herein.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

The disclosure provided under "Preapproval Policy" on page 16 of Exhibit 1, Annual Information Form, is incorporated by reference herein. No audit fees, audit-related fees, tax fees or other fees were approved by the Audit and Risk Committee pursuant to paragraph (c)(7)(i)(C) of Regulation S-X.

OFF-BALANCE SHEET ARRANGEMENTS

The disclosure provided under "Off-Balance Sheet Arrangements" on page M-39 of Exhibit 2, Management's Discussion and Analysis, is incorporated by reference herein.

CONTRACTUAL OBLIGATIONS

The disclosure provided under "Contractual Obligations" on page M-39 of Exhibit 2, Management's Discussion and Analysis, is incorporated by reference herein.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

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

B. Consent to Service of Process

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

SIGNATURES

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

STANTEC INC.

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

Date: February 24, 2011

EXHIBIT INDEX

Exhibit No.	Description
1.	Annual Information Form dated February 24, 2011
2.	Management's Discussion and Analysis for the year ended December 31, 2010 (pages M-1 through M-68 of the 2010 Financial Review)
3.	2010 Audited Consolidated Financial Statements (pages F-1 through F-44 of the 2010 Financial Review)
4.	Consent of Ernst & Young LLP
5.	Officers' Certifications required by Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002
6.	Officers' Certifications required by Rule 13a-14(b) or Rule 15d-14(b) pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002
7.	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
8.	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


STN
TSX · NYSE
Annual Information Form
February 24, 2011
At Stantec,
One Team
is who we are.
Stantec
One Team. Integrated Solutions.

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Caution Regarding Forward-Looking Statements

Our public communications often include written or verbal forward-looking statements within the meaning of the 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 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 of our management's discussion and analysis for the year ended December 31, 2010, which have been incorporated by reference in this annual information form (as described on page 8), and may be contained in filings with securities regulators or in other communications. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives for 2011 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.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions, projections, and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on its forward-looking statements since a number of factors could cause actual future results, conditions, actions, or events to differ materially from the targets, expectations, estimates, or intentions expressed in these forward-looking statements. Assumptions about the performance of the Canadian and US economies in 2011 and how it will affect our business are material factors we consider in determining our forward-looking statements and are discussed in the Outlook section of our ma nagement's discussion and analysis for the year ended December 31, 2010, filed on www.sedar.com, and incorporated by reference in this annual information form.

For additional information regarding material risks and assumptions, see the discussion on pages M-1 to M-2 of our management's discussion and analysis for the year ended December 31, 2010, which is incorporated by reference in this annual information form.

We caution that different factors, including those discussed in our management's discussion and analysis and others, could adversely affect our results. Investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. The forward-looking statements contained herein represent our expectations as of February 24, 2011, and, accordingly, are subject to change after such date. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made, from time to time, by us or on our behalf. In the case of the ranges of expected performance for fiscal 2011, it is our current practice to evaluate and, where we deem appropriate, provide updates. How ever, subject to legal requirements, we may change this practice at any time at our sole discretion.

CORPORATE STRUCTURE

Name, Address, and Incorporation

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

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

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

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, 2010, the intercorporate relationships among Stantec and its subsidiaries; the jurisdiction of incorporation of these 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
58053 Newfoundland & Labrador Inc.	100	n/a	Newfoundland and Labrador
59991 Newfoundland & Labrador Ltd.	100	n/a	Newfoundland and Labrador
3102452 Nova Scotia Company	100	n/a	Nova Scotia
3221969 Nova Scotia Company	100	100	Nova Scotia
AXYS Environmental Consulting (Barbados) Inc.	100	n/a	Barbados
BVE Development, LLC	100	n/a	Pennsylvania
FMA Heritage Inc.	100	n/a	Alberta
International Insurance Group Inc.	100	n/a	Barbados
I.R. Wilson Consultants Ltd.	100	n/a	British Columbia
Jacques Whitford Consultants BV	100	n/a	Netherlands
Jacques Whitford Holdco Ltd.	100	n/a	Cayman Islands
Nu Nenne-Stantec Inc.	100	n/a	Alberta
RiverMorph, LLC	100	n/a	Kentucky
SEA, Incorporated	100	100	Nevada
Stantec Consulting Caribbean Ltd.	100	n/a	Barbados
Stantec Consulting Cayman Islands Ltd.	100	n/a	Cayman Islands
Stantec Consulting Colombia S.A.S.	100	n/a	Colombia
Stantec Consulting Corporation	100	n/a	Delaware
Stantec Consulting Guatemala, S.A.	100	n/a	Guatemala
Stantec Consulting International LLC	100	n/a	Arizona
Stantec Consulting International Ltd.	100	100	Canada
Stantec Consulting Labrador Ltd.	100	n/a	Newfoundland and Labrador
Stantec Consulting Ltd.	100	100	Canada
Stantec Consulting Michigan Inc.	100	n/a	Michigan

SUBSIDIARY	PERCENTAGE OF VOTING SHARES	PERCENTAGE OF RESTRICTED SHARES*	JURISDICTION OF INCORPORATION
Stantec Consulting Panama, S.A.	100	n/a	Panama
Stantec Consulting Services Inc.	100	100	New York
Stantec Delaware II LLC	100	n/a	Delaware
Stantec Experts-conseils ltée	100	n/a	Canada
Stantec Holdings (Delaware) III Inc.	100	100	Delaware
Stantec Holdings Ltd.	100	100	Alberta
Stantec Holdings II Ltd.	100	n/a	Alberta
Stantec Newfoundland & Labrador Ltd.	100	n/a	Newfoundland and Labrador
Stantec Technology International Inc.	100	100	Delaware
UEI Associates, Inc.	100	n/a	Texas
UEI Global I, Inc.	100	n/a	Texas
Universal Energy do Brasil Ltda.	100	n/a	Brazil
WilsonMiller, Inc.[1]	100	n/a	Florida
WilsonMiller KSA, LLC[1]	100	n/a	Florida
WM Aviation, LLC[1]	100	n/a	Delaware

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

[1] Acquired as part of the acquisition of WilsonMiller, Inc. See the General Development of the Business section below and the Acquisitions section on page 6.

GENERAL DEVELOPMENT OF THE BUSINESS

2011

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

Acquisitions

On February 11, 2011, we acquired the shares and business of QuadraTec, Inc. for cash consideration and notes payable. With offices in Newfoundland and Labrador, QuadraTec, Inc. provides services including mechanical, electrical, industrial, and communication engineering; energy management; design; studies; and contract administration.

Officer Changes

As part of our continuing, strong succession plan, Mr. Ronald Triffo announced that he will be stepping down from his position as chairman of the Stantec Board of Directors at our 2011 annual general meeting on May 12, 2011. Mr. Triffo has been associated with our Company since 1977. He was appointed president in 1983, president and chief executive officer in 1988, and chairman of the board in 1998. During his time with Stantec, he has shown exemplary dedication to our Company and has continuously provided outstanding leadership.

Three-Year History

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

2010

Officer Changes

The following changes occurred in 2010:

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

Credit Facility

In August 2010, we increased the limit of our revolving credit facility from C$300 million to C$350 million and extended its maturity date to August 2013. The agreement also included a provision allowing us to obtain access to an additional C$75 million under the same terms and conditions upon approval from our lenders. We will use the credit facility as working capital, for general corporate purposes, and for future acquisitions.

Acquisitions

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

Date	Business Acquired	Nature of Business
Dec 2010	Burt Hill, Inc.	Provides services in the design of higher education and healthcare facilities from offices principally located in Pennsylvania, with additional offices in Massachusetts, Arizona, North Carolina, Ohio, Florida, Washington, D.C., the United Arab Emirates, and India
Oct 2010	Street Smarts, Inc./Data Smarts LLC	Provides design services in transportation and civil engineering from offices principally located in Georgia
Sep 2010	ECO:LOGIC Engineering	Provides services in the planning, permitting, design, construction management, and operations of water and wastewater facilities from offices principally located in California
Sep 2010	Anshen & Allen, Architects, Inc.	Provides services in the design of healthcare and education facilities from offices principally located in California, Ohio, Massachusetts, and the United Kingdom
Aug 2010	Communication Arts, Inc.	Provides specialized services in project visioning, branding, and associated conceptual architectural and environmental graphics from offices principally located in Colorado
Jul 2010	Natural Resources Consulting, Inc./ NRC Restorations, LLC	Provides services in the areas of wetland, aquatic, and terrestrial ecology; wildlife science; soils science; environmental impact assessment; watershed management; ecosystem restoration design and implementation; and geographic information systems from offices principally located in Wisconsin
Jul 2010	WilsonMiller, Inc.	Provides services for infrastructure, transportation, land management, and environmental projects from offices principally located in Florida
Jul 2010	IEA Holdings, Inc.	Provides engineering and project management services for both traditional and renewable energy projects ranging from cogeneration, coal, and electrical transmission work to the design of wind, waste-to-energy, and biomass systems from offices principally located in Maine and South Carolina

Date	Business Acquired	Nature of Business
Apr 2010	Tetr*ES* Consultants Inc.	Provides environmental management consulting services from offices principally located in Manitoba
Mar 2010	Project Control Group Inc.	Provides project implementation strategy, planning, and controls for complex projects from offices principally located in Ontario

2009

Officer and Director Changes

The following changes occurred in 2009:

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

Acquisitions

We completed the following acquisitions in 2009:

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

2008

Officer and Director Changes

The following changes occurred in 2008:

- Donald W. Wilson, senior vice president and chief financial officer retired from his role on December 31, 2008, and Daniel J. Lefaivre assumed the senior vice president and chief financial officer role effective January 1, 2009.
- William D. Grace stepped down from our board of directors at our May 1, 2008, annual meeting.

Acquisitions

We completed the following acquisitions in 2008:

Date	Business Acquired	Nature of Business
Jul 2008	McIntosh Engineering Holdings Corporation	Provides services in mine conceptualization through feasibility, detailed engineering, and design for construction, procurement, and construction management from offices principally located in Arizona and Ontario

Mar 2008	RHL Design Group, Inc.	Provides program and project management and comprehensive integrated design services, including engineering, architecture, permitting, compliance, and environmental services from offices principally located in California
Feb 2008	SII Holdings, Inc. (Secor International Incorporated)	Provides environmental consulting and engineering services to the private sector as well as downstream marketing remedial services to the US energy industry from offices principally located in Washington
Jan 2008	Rochester Signal, Inc.	Provides signal design, construction management, installation and testing services, and other engineering support for all types of rail systems from offices principally located in New York
Jan 2008	The Zande Companies, Inc. (R.D. Zande)	Provides civil and environmental engineering services from offices principally located in Ohio and additional offices in West Virginia, Kentucky, Pennsylvania, and Georgia

For additional information regarding the general development of our business and our strategies for the upcoming year, see pages M4 to M-10, M-22 to M-25, and M-41 to M-45 of Stantec's 2010 management's discussion and analysis incorporated by reference in this annual information form and filed on www.sedar.com.

DESCRIPTION OF THE BUSINESS

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

In simple terms, the world of Stantec is the water we drink, the routes we travel, the buildings we visit, the industries in which we work, and the neighborhoods we call home. Our services are offered through approximately 10,700 employees operating out of more than 160 locations in North America and internationally.

For the requirements of generally accepted accounting principles in Canada and the United States, we have one reportable segment—Consulting Services.

The following chart illustrates the breakdown of gross revenue for 2010 and 2009 for Consulting Services:

Units	2010		2009	
	(C$ millions)	**%**	**(C$ millions)**	**%**
Consulting Services	$ 1,513.1	100%	$ 1,519.9	100%

We use a three-dimensional business model that 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. For additional information regarding our core business and strategy, see pages M-5 to M7 of our 2010 management's discussion and analysis, which are incorporated by reference herein.

Research and Development

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

Competitive Conditions

We work in highly competitive markets and have numerous competitors for all the services we offer. The number and identity of competitors vary widely with the type of service we provide. Moreover, for small- to medium-sized projects,

we compete with many engineering, architecture, and other professional consulting firms. For larger projects, we have fewer but still many competitors; however, some of these competitors have greater financial and other resources than we do. Although we compete with other large private and public companies in certain geographic locations, our primary competitors are small to midsized privately held regional firms in the United States and Canada.

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

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

We serve many diverse clients in both the private and public sectors. We seek to establish ongoing relationships with clients that are likely to produce repeat business. We are not dependent on any one client or group of clients for our business. No single client or project represents more than 5 percent of our overall business.

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

Employees

As at December 31, 2010, we had approximately 10,700 staff. This total staff number comprises 6,000 professionals, 3,300 technologists and technicians, and 1,400 support personnel.

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

Reorganization

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

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

Social or Environmental Policies

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

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

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

The foundation of the program is a Hazard Recognition and Control (HRAC) process that enables employees at all levels to establish a healthy and safe work environment. Projects begin with the development of a Risk Management

Strategy form that identifies potential risks associated with the project site. Based on these risks, additional controls may be implemented. For example,

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

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

The HSE team also supports the organization by

- Maintaining approved health, safety, and environment procedures for many specific work tasks in the form of safe work practices
- Ensuring quality health, safety, and environment training and education are available
- Completing root cause analysis and evaluating lessons learned from recordable injuries and other incidents
- Coordinating case management following work-related injuries and illnesses

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

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

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

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

Stantec's Sustainability Policy

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

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

Building a leading sustainability consulting practice in the markets it serves by
- Using its expertise, experience, and influence to advance the sustainability of its valued clients
- Incorporating sustainability into all its service offerings
- Marketing and selling sustainable development services across all sectors

Integrating sustainability into its overall operations and everyday practice by
- Implementing best industry, employee, and vendor practices to reduce resource use, waste, and emissions while increasing efficiency and effectiveness

- Fostering an understanding of sustainability at all levels of the organization in ways that are both personally and professionally relevant
- Embracing an accountable and transparent governance and leadership structure that integrates sustainability considerations into all its business decisions
- Reporting on its sustainability performance and achievements

Stantec strives to achieve the following:

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

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

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

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

International Operations

We conduct a portion of our business outside Canada and the United States, and we generated revenue during 2010 working on projects in more than 25 countries. Specifically, our international operations include offices in Barbados, Puerto Rico, and Panama and projects in the Bahamas, Barbados, Australia, Chile, Finland, Indonesia, Mongolia, Nigeria, Panama, Peru, Uruguay, Honduras, Suriname, Mexico, India, Turkey, Trinidad & Tobago, Qatar, and the United Arab Emirates. Such operations accounted for approximately 2 percent of our revenues in 2010. Some of this work involved political risk, contracts with foreign clients, and working under foreign legal systems.

The acquisition of Granary in late 2009 resulted in Stantec having an office in Doha, Qatar, for most of 2010. During the latter part of 2010, the acquisition of Burt Hill and Anshen & Allen resulted in having operating offices in London, England; Dubai and Abu Dhabi, United Arab Emirates; and Ahmedabad, India, at year-end.

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 growth strategy. 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 our board of directors may consider appropriate in the circumstances.

RISK FACTORS

For a review of the risks pertaining to our Company, refer to our 2010 management's discussion and analysis, pages M-56 to M-66, which is filed on SEDAR at www.sedar.com and incorporated by reference herein.

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized share capital consists of an unlimited number of preferred shares, issuable in series, and an unlimited number of common shares, of which, at December 31, 2010, no preferred shares and 45,768,320 common shares have been issued and are outstanding.

Preferred Shares

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

Common Shares

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

MARKET FOR SECURITIES

Our common shares are listed for trading on the Toronto Stock Exchange (TSX) and New York Stock Exchange (NYSE) under the symbol STN. The intraday trading information on the TSX for the period from January 1, 2010, to December 31, 2010, is set out in the following table:

Month	High	Low	Volume
January	$ 30.40	$ 26.88	1,926,657
February	$ 28.93	$ 26.14	2,278,442
March	$ 27.28	$ 25.03	3,166,827
April	$ 27.31	$ 25.52	2,555,543
May	$ 26.78	$ 23.00	5,221,272
June	$ 26.23	$ 22.79	2,433,775
July	$ 25.29	$ 23.26	2,056,922
August	$ 26.04	$ 24.20	3,076,545
September	$ 28.44	$ 25.58	2,816,863
October	$ 28.99	$ 27.29	2,295,670
November	$ 28.75	$ 26.42	1,890,845
December	$ 28.47	$ 26.80	2,540,600
			32,259,961

The intraday trading information on the NYSE for the period from January 1, 2010, to December 31, 2010, is set out in the following table:

Month	High	Low	Volume
January	$ 29.29	$ 25.15	354,438
February	$ 27.32	$ 24.49	303,769
March	$ 26.78	$ 24.34	313,637
April	$ 27.25	$ 25.41	256,947
May	$ 25.98	$ 22.36	774,939
June	$ 25.49	$ 21.59	403,237
July	$ 24.48	$ 20.80	491,249
August	$ 24.99	$ 23.36	278,268
September	$ 27.74	$ 24.25	455,360
October	$ 28.86	$ 26.49	338,608
November	$ 28.49	$ 25.95	323,450
December	$ 28.23	$ 26.19	373,927
			4,667,829

DIRECTORS AND OFFICERS

The following table lists the directors of Stantec Inc., current to February 24, 2011, 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	Corporate Director	1993
PAUL CELLUCCI[1] Boston, Massachusetts, United States	Special Counsel, McCarter & English LLP (a law firm)	2009
DAVID L. EMERSON[2] Vancouver, British Columbia	Corporate Director and Public Policy Advisor	2009
ANTHONY P. FRANCESCHINI Edmonton, Alberta, Canada	Corporate Director	1994
ROBERT J. GOMES Edmonton, Alberta, Canada	President & CEO of Stantec	2009
SUSAN E. HARTMAN[2] Rochester, New York, United States	President and CEO of The Hartman Group (a management consulting firm)	2004
ARAM H. KEITH[1] Irvine, California, United States	Corporate Director	2005
IVOR M. RUSTE[2] Calgary, Alberta, Canada	Executive Vice President and Chief Financial Officer, Cenovus Energy Inc. (an unconventional integrated oil company)	2007
RONALD TRIFFO Edmonton, Alberta, Canada	Corporate Director Chairman of the Board of Stantec	1985

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

All directors are elected annually. Ronald Triffo, Susan E. Hartman, and Aram Keith have been engaged for more than five years in their current principal occupation. Ivor M. Ruste is currently executive vice president and chief financial officer of Cenovus Energy Inc. During the period from May 2006 to November 2009, he worked with Encana Corporation as executive vice president corporate responsibility chief risk officer. From 1998 to May 2006, he was the managing partner of the Edmonton office of KPMG LLP (an international audit, tax, and advisory services firm). Prior to his retirement in 2009, Robert J. Bradshaw was the chairman of Contor Industries (a holding company that acquires manufacturing companies). David L. Emerson was a member of Parliament for Vancouver Kingsway from July 2004 to 2008. From November 2008 to November 2009, Mr. Emerson was a senior advisor with the law firm of Farris, Vaughan LLP. Paul Cellucci was the US ambassador to Canada from 2001 to 2005 and an executive vice president at Magna Entertainment Corp. from 2005 to 2006, prior to joining McCarter & English LLP. Anthony Franceschini was Stantec's president and chief executive officer until May 14, 2009. Prior to May 15, 2009, Robert J. Gomes was senior vice president of certain Stantec Inc. subsidiaries.

The following table lists the executive officers of Stantec, current to February 24, 2011, their municipality of residence, and their principal occupation within the five preceding years:

Nonexecutive and Executive Officers of Stantec

Name and Municipality of Residence	Principal Occupation	Officer Positions Held
Nonexecutive Officers of Stantec Inc.		
RONALD TRIFFO Edmonton, Alberta, Canada	Chairman of the Board	Chairman of the Board of Stantec Inc.
Executive Officers of Stantec Inc.		
ROBERT J. GOMES Edmonton, Alberta, Canada	President & CEO	President & CEO
DANIEL J. LEFAIVRE St. Albert, Alberta, Canada	Senior Vice President & CFO	Senior Vice President & CFO of Stantec Inc.
RICHARD K. ALLEN Canton, Massachusetts, United States	Senior Vice President & COO	Senior Vice President & COO of Stantec Inc.
PAUL J.D. ALPERN Edmonton, Alberta, Canada	Vice President, Secretary & General Counsel	Vice President and Corporate Counsel of certain Stantec Inc. subsidiaries
Other Executive Officers		
W. PAUL ALLEN Elmira, Ontario, Canada	Corporate Practice Area Unit Leader, Urban Land, and Regional Operating Unit Leader, Canada East	Senior Vice President of certain Stantec Inc. subsidiaries
DONALD R. BELLIVEAU Fredericton, New Brunswick, Canada	Corporate Practice Area Unit Leader, Industrial	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 West	Senior Vice President of certain Stantec Inc. subsidiaries
JEFFERY KISHEL Longmont, Colorado, United States	Corporate Practice Area Unit Leader, Environment	Senior Vice President of certain Stantec Inc. subsidiaries
SCOTT L. MURRAY Lexington, Kentucky, United States	Regional Operating Unit Leader, US East	Senior Vice President of certain Stantec Inc. subsidiaries
ERIC C. NIELSEN Santa Ana, California, United States	Regional Operating Unit Leader, US West	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 Stantec for the past five years, except for Daniel J. Lefaivre, who, prior to January 1, 2009, was Stantec's vice president, Finance & Treasury; Richard K. Allen, who, prior to April 17, 2006, was president and chief executive officer of Dufresne-Henry, Inc.;

Jeffery Kishel, who, prior to November 11, 2006, was senior vice president, Strategic Development and Client Services of MWH; Paul Allen, who, prior to July 1, 2010, was Stantec's corporate practice area unit leader, Urban Land, and following July 1, 2010, also became Stantec's regional operating unit leader, Canada East; and Scott Murray, who, prior to January 1, 2008, was owner and vice president of Fuller, Mossbarger, Scott & May Engineers, Inc., and during the period of January 1, 2008, through December 31, 2009, was Stantec's regional leader for the US South. As a group, our directors and officers beneficially owned, controlled, or directed, directly or indirectly, 1,721,909 common shares representing 3.8 percent of the issued and outstanding common shares.

AUDIT AND RISK COMMITTEE INFORMATION

Audit and Risk Committee Terms of Reference

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

Composition of the Audit and Risk Committee

Our Audit and Risk Committee is made up of the following three members: Ivor Ruste (chairman), David Emerson, and Susan Hartman.

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

Ivor M. Ruste is currently executive vice president and chief financial officer for Cenovus Energy Inc. headquartered in Calgary. He has a bachelor of commerce (with distinction) from the University of Alberta and is a Fellow Chartered Accountant. During the period from May 2006 to November 2009, he worked for EnCana Corporation and, prior to joining Cenovus, was executive vice president corporate responsibility chief risk officer at EnCana. From 1998 to 2006, he was the managing partner of the Edmonton office of KPMG LLP (an international audit, tax, and advisory services firm) and the Alberta regional managing partner and vice chair of the KPMG Canada Board of Directors. As a chartered accountant with 26 years of experience working as an auditor of both public and private companies, Mr. Ruste has reviewed and audited many complex financial statements and prepared interim and annual financial statements in accordance with both Canadian and US generally accepted accounting standards. Over the past 30 years, Mr. Ruste has been involved in numerous other business, community, and professional activities. As of December 31, 2010, he owned 2,500 common shares valued at $69,325 and 12,800 deferred share units valued at $357,376.

David L. Emerson, PC holds a bachelor's and master's degree in economics from the University of Alberta and a doctorate in economics from Queens University. Mr. Emerson began his career as a member of the public service in 1972, serving as an economist with the Economic Council of Canada. He joined the public service of British Columbia in 1975, where he served in various roles between1975 and 1990, including deputy minister of Finance, secretary to the Treasury Board, deputy minister to the premier, and secretary to cabinet. Between 2004 and late 2008, he was a federal member of Parliament. He served as Canada's minister of Industry from 2004 to 2006, minister of International Trade with responsibility for the 2010 Winter Olympics and the Asi a Pacific Gateway Initiative from 2006 to 2008, and minister of Foreign Affairs from May 2008 to October 2008. In the private sector, he was chief executive officer of Western and Pacific Bank of Canada from 1986 to 1988 and, following a merger, chair and chief executive officer of Canadian Western Bank (1988–1990). He served as president and chief executive officer of the Vancouver International Airport Authority from 1992 to 1997 and president and chief executive officer of Canfor Corporation from 1998 to 2004. Mr. Emerson was a member of Parliament for Vancouver Kingsway from July 2004 to 2008. From 2008 to 2009, he was senior advisor with the law firm of Farris, Vaughan LLP. Currently, he is chair of the Premier's Council for Economic Strategy, chair of the Energy Policy Institute of Canada, cochair of the Prime Minister's Advisory Committee on the Public Service, and a member of the China Investment Corporation International Advisory Council. His current occupation is that of corporate director, public policy advisor, and he serves as a senior advisor to CAI Manager, a private equity fund. His education and experience have provided him with a breadth of knowledge regarding complex accounting issues. As of December 31, 2010, he owned 1,000 common shares valued at $27,730 and 5,600 deferred share units valued at $156,352.

Susan E. 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. Her experience with all levels of business management oversight for public companies has given her a solid understanding of financial reporting. As of December 31, 2010, Ms. Hartman owned 4,650 common shares valued at $128,945 and 20,000 deferred share units valued at $558,400.

Preapproval Policy

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

External Auditor Service Fees

Aggregate fees paid to Ernst & Young LLP, our external auditor, during the fiscal years ended December 31, 2010, and 2009, were as follows:

Category	Note	2010	2009
Audit Fees	1	C$1,075,000	C$1,120,000
Audit-Related Fees	2	574,000	180,000
Tax Fees	3	628,000	870,000
Total		C$2,277,000	C$2,170,000

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 financia statements and are not reported under "Audit Fees"
3 Tax Fees—Professional services rendered by Ernst & Young LLP for tax compliance, tax advice, and tax planning, including tax advice relating to potential business acquisitions

LEGAL PROCEEDINGS

We have legal claims and suits pending, both by and against us. These are typical to the industries in which we operate. Where appropriate, these claims have been reported to our 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.

TRANSFER AGENT

Computershare Trust Company of Canada is our transfer agent at its 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 2010. We consider the acquisition of professional services firms to be in the ordinary course of our business.

INTERESTS OF EXPERTS

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

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

ADDITIONAL INFORMATION

Financial information is provided in our consolidated financial statements and management's discussion and analysis for our most recently completed financial year. Additional information, including directors' and officers' remuneration and indebtedness, the principal holders of our securities, and securities authorized for issuance under equity compensation plans, will be contained in our management information circular. Copies of this annual information form, as well as our latest management information circular and financial review (which includes our consolidated financial statements and management's discussion and analysis for the year ended December 31, 2010), may be obtained from our website at www.stantec.com or by mail on request from the secretary at 10160 – 112 Street, Edmonton, Al berta, T5K 2L6. Disclosure documents and any reports, statements, or other information that we file with Canadian provincial securities commissions or other similar regulatory authorities are also available through SEDAR at www.sedar.com.

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

Audit and Risk Committee-Terms of Reference (Mandate)

A. OVERVIEW AND PURPOSE

The Audit and Risk Committee is appointed by, and responsible to, the Board of Directors. The committee approves, monitors, evaluates, advises, and makes recommendations, in accordance with these terms of reference, on matters affecting the external and internal audits, risk management matters, the integrity of financial reporting, and the accounting control policies and practices of the corporation. The involvement of the committee in overseeing the financial reporting process, including assessing the reasonableness of management's accounting judgements 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 i nternal auditors and the external auditors. The committee also ensures the qualifications and independence of the external auditors. The committee has oversight of the corporation's compliance with legal and regulatory requirements.

It is not the duty of the committee to plan or conduct audits or to determine that the corporation's financial statements are complete, accurate, and in accordance with generally accepted accounting principles.

B. AUTHORITY AND RESPONSIBILITIES

The Audit and Risk Committee shall:

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

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

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

D. FINANCIAL STATEMENTS AND DISCLOSURES

1. Review, and recommend to the board for approval, the annual audited financial statements and management discussion and analysis.
2. Review, and recommend to the board for approval, the following public disclosure documents:
   (a) The annual management information circular and proxy materials

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

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

(d) Other regulatory filings of a financial nature

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

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

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

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

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

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

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

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

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

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

(d) Any off-balance sheet structures

(e) The key estimates and 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.

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

E. EXTERNAL AUDITOR

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

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

    (a) Staffing

    (b) Objectives and scope of the external audit work

    (c) Materiality limits

    (d) Audit reports required

    (e) Areas of audit risk

    (f) Timetable

    (g) The proposed fees

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

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

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

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

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

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

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

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

    (b) Any significant accounting or financial reporting issues

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

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

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

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

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

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

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

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

F. INTERNAL AUDIT

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

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

28. Review and approve the annual audit plan of the internal auditor (where applicable) and ensure that there is a clear understanding between the board, the committee, the internal auditor, and management that the internal auditor reports directly to the board through the committee. Receive confirmation from management that the corporation has provided for adequate funding for the internal auditor. The terms of the audit plan should include, but not be limited to, the following:

    (a) Staffing

    (b) Objectives and scope of the internal audit work

    (c) Materiality limits

    (d) Audit reports required

    (e) Areas of audit risk

    (f) Timetable

    (g) The proposed budget

29. Review with the internal auditor the results of their audit examination, including, but not be limited to, the following:

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

    (b) Any significant accounting or financial reporting issues

    (c) The auditor's evaluation of the corporation's system of internal accounting controls, procedures, and documentation

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

    (e) Any other matters which the internal auditor should bring to the attention of the committee

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

G. INTERNAL CONTROLS

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

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

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

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

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

H. RISK

General

36. Review at least annually with Management:

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

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

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

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

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

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

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

Finance

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

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

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

I. COMPLIANCE/FRAUD

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

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

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

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

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

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

J. OTHER

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

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

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

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

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

K. MEETINGS

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

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

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

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

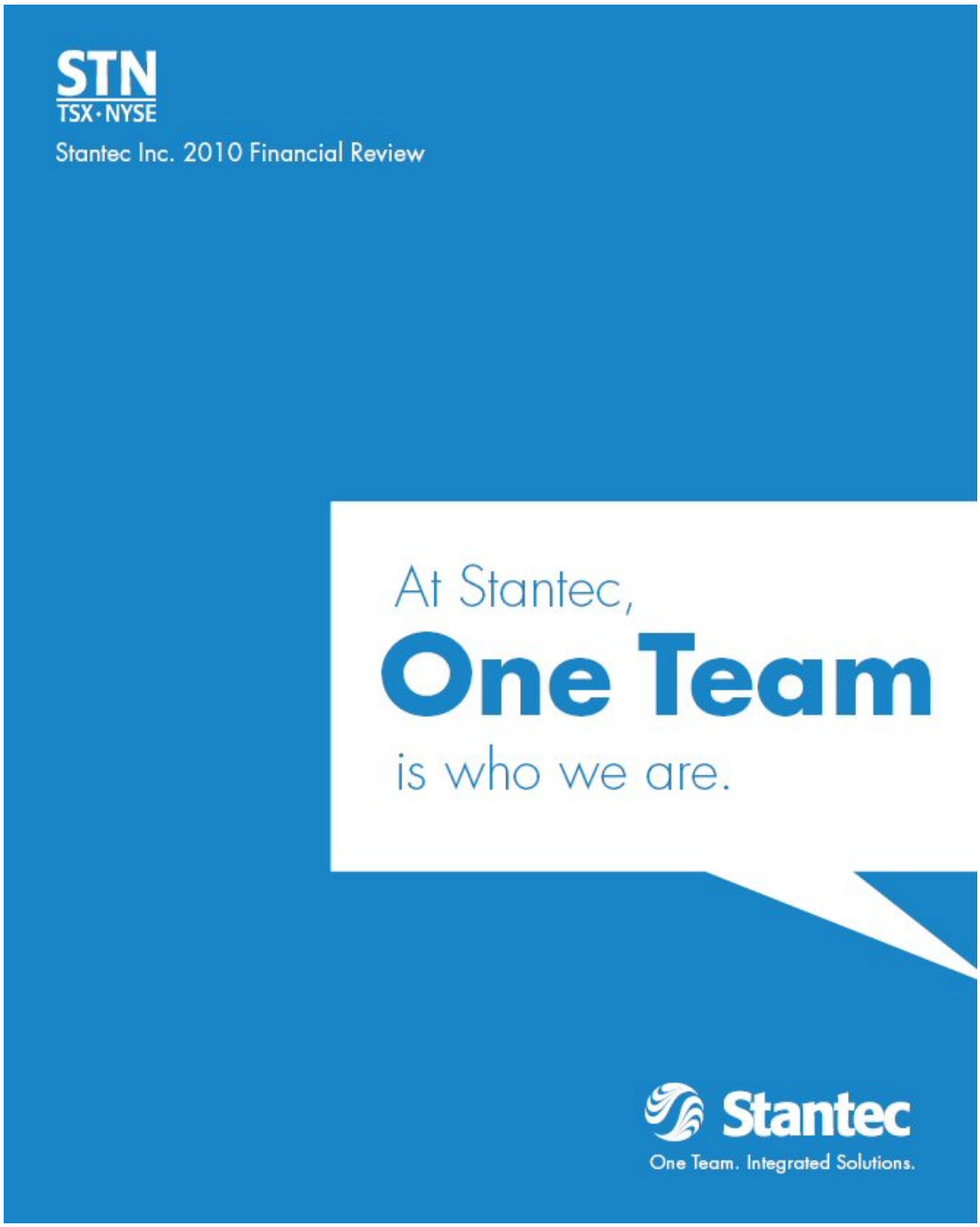
59. The secretary of the corporation shall provide for the delivery of notices, agendas, and supporting materials to the committee members at least five (5) days prior to the meeting except in unusual circumstances.

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

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

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

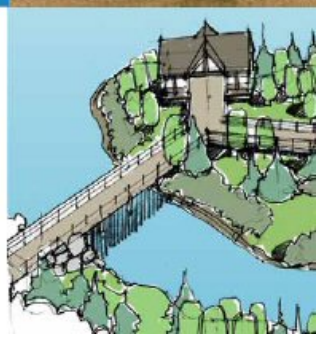
63. Minutes of the meetings of the committee shall be distributed by the secretary of the corporation to all members of the committee within seven (7) working days of each meeting and shall be submitted for approval at the next regular meeting of the committee.


STN
TSX · NYSE
Stantec Inc. 2010 Financial Review
At Stantec,
One Team
is who we are.
Stantec
One Team. Integrated Solutions.

At Stantec, we are a company of diverse professionals who work together as **One Team**. From across North America and internationally, we provide our clients integrated services in architecture, engineering, interior design, landscape architecture, urban planning, surveying, environmental sciences, economics, project management, and many other disciplines.







Photos clockwise from top left:
Nassau Airport Redevelopment | Nassau, Bahamas
Irving Tissue | Fort Edward, New York
Los Angeles County Metropolitan Transportation Authority Multiyear Project | Los Angeles, California
Parson's Creek Development | Fort McMurray, Alberta
Tesla Water Treatment Facility | San Francisco, California







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Chairman's Message

At the 2011 Stantec Annual General Meeting, I will be retiring from my position as chairman of the board. After a career spanning over 33 years with the Stantec organization, I am looking forward to having more time for family, leisure travel, and perhaps a revitalization of my golf game.

It has been an honor and a privilege to have spent the greater part of my professional career with Stantec, and I owe a tremendous debt of gratitude to a number of people and institutions that have so diligently supported me and the Company over that period of time. To my wonderful wife, Dorothy, and our family; to my chief executive officer (CEO) predecessor and mentor, the late Dr. Don Stanley; to my CEO successor, Tony Franceschini, and his successor, Bob Gomes; to Stantec's impressive staff and dedicated board of directors; to our valued clients, friends, and business associates; and to our loyal shareholders, thank you all so very much for your support of and faith in the Stantec success story. And thank you all so very much for allowing me the opportunity to serve in the evolution of that story.

As you can appreciate, in my time at Stantec, I have seen and been part of tremendous change—technological change, geographic change, and change and growth in our personnel. What has not changed, however, is the professionalism and commitment of Stantec's people. Day in and day out, year after year, this combination of talent and business acumen has been, and continues to be, the foundation of the Company—the "DNA" of Stantec and the major driver of our success.

When I retired as Stantec's president and CEO in 1998, we had just come through the first major phase of the Stantec growth story. In my 15 years as president, I had seen the Company grow from approximately 200 staff (following the effects of the ill-fated Canadian National Energy Program), through a public listing on the Toronto Stock Exchange, to 2,000 people. Under the capable leadership of Tony Franceschini and now Bob Gomes,

It has been an honor and a privilege to have spent the greater part of my professional career with Stantec.

that number has grown to over 10,000 staff with a truly international reputation. We were able to build the Company then, and now, because of the many steadfast and excellent clients who entrusted us with their business and opportunities. Without the support they provided, and continue to provide, we would not be the Company we are today.

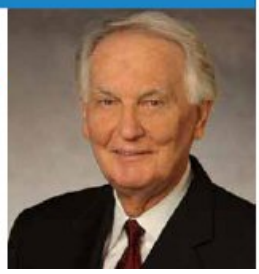
As I step down from the board, I am extremely pleased to see that the elements for Stantec's continuing success are all in place. We have a strong and seasoned management team. We have a talented and Stantec business-schooled team of professional and support personnel. We have a constant and ever-growing group of clients. We have a dedicated and respected board of directors. And, most important, we have a successful business model that has demonstrated its sustainability and profitability over time. Finally, we have more than ample market "runway" for that same business model to continue to expand Stantec's profitable growth for many years to come.

In 1998, upon leaving the Company as CEO, I remarked that "what we today have built together is but the beginning of a marvellous journey yet to unfold." In 2011, upon leaving the Company as chairman, I cannot help but believe that these words are as appropriate now as they were then.

Yours appreciatively,



Ron Triffo, P.Eng.
Chairman of the Board



Message
to Shareholders

Stable. Strong. Confident. These are the words that best described Stantec in 2010. While the economic environment in North America remained challenging, we had the resilience to improve our performance and expand our operations, paving the way for future growth. Our success was largely due to our clients, who continued to entrust us with their projects in a difficult economy.

Strong performance. With increased activity, we grew organically in some sectors and regions, which boosted our staff levels. At the same time, our income and earnings increased, our revenue remained stable, and we marked our 57th year of uninterrupted profitability. What is more, we ended the year with a strong balance sheet with a sustainable level of debt, giving us the flexibility to continue to grow through organic hiring and acquisitions.

Successful expansion. In the midst of economic stress, we also made progress on our goals to expand our operations in the United States and to begin to create an international presence. From the beginning of March to the end of December, we completed 10 acquisitions, which, collectively, took us into three new states—Iowa, Louisiana, and Wisconsin—and enhanced our existing presence in the US Midwest and Southeast. With the acquisition of international firms Anshen & Allen and Burt Hill, we also entered India, the United Arab Emirates, and the United Kingdom. In total, we welcomed almost 1,400 new colleagues to the Stantec team, which, combined with organic hiring, brought our staff numbers to approximately 10,700 by year-end. Such growth reinforced our standing in our marketplace: we are a truly North American firm.

At Stantec, no matter how much we grow, we remain committed to delivering quality consulting and design services.

One Team solutions. At Stantec, no matter how much we grow, we remain committed to delivering quality consulting and design services. By working as One Team with expertise in many disciplines across North America and internationally, we are able to provide integrated solutions to our clients that have a positive impact on our world. In 2010, more than 120 Stantec staff from 10 offices came together to complete the architecture, interior design, and engineering of major expansions at the Kelowna and Vernon hospitals in British Columbia. Delivered through a public-private partnership, the expansions included new patient care towers and a medical school building, encompassing 53,500 square metres (575,500 square feet) of new

space. Similarly, over 400 employees from 33 offices have been working on more than 70 assignments related to facility assessments at 11 power plants in Tennessee, Kentucky, and Alabama for the Tennessee Valley Authority. In addition, staff from our Architecture, Environmental Remediation, Urban Land Engineering, and Transportation practices are contributing their skills to a multiyear contract to provide construction management support services to the Los Angeles County Metropolitan Transportation Authority in California. This multibillion-dollar program of work involves the development of a high-occupancy vehicle network, bus rapid transit extensions, maintenance facilities, and an innovative ExpressLanes pilot project.

In 2010, as always, we owed our good performance to our hardworking and dedicated employees and their One Team spirit. Every day, in delivering high-quality projects to our clients and managing our operations efficiently, they support our long-term strategy and objectives and promote our reputation for excellence.

Our performance in 2010 proved once again what we have always claimed about our business model—that it enables us to adjust our service delivery to changing market conditions. Entering 2011, a year of anticipated economic recovery, we are confident that our model will help us continue to achieve growth and expand our business to meet our clients' needs. Through their projects, our clients are helping to improve the quality of life in communities across North America and around the world, and we are proud of our ability to use our global expertise and local strength to contribute integrated solutions to their efforts.

In closing, we would like to pay tribute to Ron Triffo, who is retiring as chair of our board of directors at our 2011 annual general meeting. Ron has been associated with our Company since 1977. He was named president in 1983, president and chief executive officer in 1988, and chairman of the board in 1998. In that time, he helped our Company attain important milestones such as our initial public offering on the Toronto Stock Exchange. We are grateful that we have had the benefit of his outstanding leadership and wise counsel for so many years.

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



Bob Gomes, P.Eng.
President & CEO

2010 Financial Summary and Highlights

(In thousands of Canadian dollars, except per share amounts and ratios)	10	09	08	07	06
Gross revenue	1,513,062	1,519,865	1,351,951	954,619	816,133
Net revenue	1,226,040	1,242,942	1,130,124	830,888	707,927
Income before taxes	133,516	91,666	64,499	99,114	89,424
Net income	93,595	55,940	29,017	69,279	60,182
Current assets	504,513	409,253	480,725	323,248	264,551
Current liabilities	331,342	283,811	300,009	232,697	159,695
Property and equipment [1]	113,996	108,256	107,768	80,776	58,351
Long-term debt	269,294	198,769	215,113	74,539	12,046
Shareholders' equity	625,475	547,394	538,975	442,698	410,895
Gross revenue backlog [2]	1,043,000	948,000	1,005,000	831,000	685,000
EBITDA [3]	186,289	182,412	166,429	123,448	113,052
Cash and cash equivalents	62,731	14,690	103,979	14,175	28,363
Earnings per share – basic	2.05	1.23	0.64	1.52	1.34
Earnings per share – diluted	2.04	1.22	0.63	1.50	1.31
Current ratio	1.52	1.44	1.60	1.39	1.66
Net debt to equity ratio	0.41	0.40	0.26	0.19	(0.03)
Weighted average number of shares outstanding	45,690,555	45,544,688	45,584,612	45,577,261	45,068,266
Shares outstanding	45,768,320	45,716,820	45,448,123	45,698,143	45,201,785
Shares traded	36,927,790	40,881,633	57,354,858	34,463,255	24,864,000
TSX *(In Canadian dollars)*					
High [4]	30.40	30.85	40.10	39.31	25.84
Low [4]	22.79	18.56	16.35	23.70	18.50
Close	27.73	30.40	30.15	38.89	25.25
NYSE [5] *(In US dollars)*					
High [4]	29.29	29.53	40.30	39.64	22.55
Low [4]	20.80	14.19	12.70	20.10	16.33
Close	27.97	28.84	24.70	39.02	21.74

All references to common shares and per share amounts in this financial summary have been restated to reflect the two-for-one split approved on May 4, 2006.

[1] With the adoption of Section 3064, "Goodwill and Intangible Assets," of the Canadian Institute of Chartered Accountants Handbook, we retrospectively reclassified the net book value of certain software from "Property and Equipment" to "Intangible Assets."

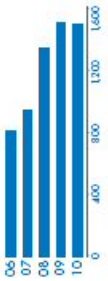
[2] This is unaudited information.

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

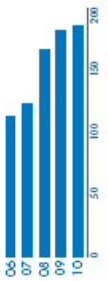
[4] High and low prices for the common shares on the Toronto Stock Exchange (TSX) and New York Stock Exchange (NYSE) during the 52 weeks ended December 31, 2010, shown above, were the intraday prices.

[5] Stantec began trading on the NYSE on August 5, 2005.

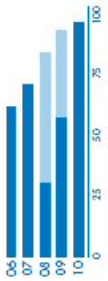
All charts represent millions of Canadian dollars, except for diluted EPS.



Gross Revenue

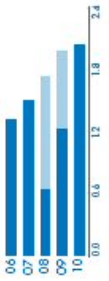


EBITDA



Net Income

Net income before goodwill impairment



Diluted EPS

EPS – diluted before goodwill impairment



Gross Revenue Backlog

As One Team,

we earned approximately **$93.6 million** in net income,

we reached **$2.04** in diluted earnings per share,

we generated approximately **$115 million** in cash flows from operating activities,

we increased our consolidated revenue backlog to over **$1 billion**.

We celebrated **57 years** of uninterrupted profitability.

We completed **10 acquisitions.**

We generated over **$1.5 billion** in revenue.

Board of Directors



Left to right:

Robert J. Bradshaw
Director, Stantec Inc. | Toronto, Ontario, Canada

Paul Cellucci
Director, Stantec Inc. | Boston, Massachusetts, US

Susan E. Hartman
Director, Stantec Inc. | Rochester, New York, US

Aram H. Keith
Director, Stantec Inc. | Irvine, California, US

Robert J. Gomes
President & CEO | Edmonton, Alberta, Canada

David L. Emerson, PC
Director, Stantec Inc. | Vancouver, British Columbia, Canada

Ronald P. Triffo
Chairman of the Board, Stantec Inc. | Edmonton, Alberta, Canada

Ivor M. Ruste
Director, Stantec Inc. | Calgary, Alberta, Canada

Anthony (Tony) P. Franceschini
Director, Stantec Inc. | Edmonton, Alberta, Canada

Corporate Officers

Ronald P. Triffo
Chairman of the Board

Robert J. Gomes
President & CEO

Daniel J. Lefaivre
Senior Vice President & CFO

Richard K. Allen
Senior Vice President & COO

Paul J.D. Alpern
Vice President, Secretary & General Counsel

STANTEC INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

and

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2010, and 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 24, 2011

This discussion and analysis of Stantec Inc.'s operations, financial position and cash flows, dated February 24, 2011, should be read in conjunction with the Company's 2010 audited consolidated financial statements and related notes. Our 2010 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 25 of our 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< /font>. Such additional information is not incorporated by reference and should not be deemed to be made part of this Management's Discussion and Analysis.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our public communications often include written or verbal forward-looking statements within the meaning of the 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 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 2011 and beyond, our strategies or future actions, our targets, our expectations for our financial condition or share price, or the results of or outlook for our operations.

We provide forward-looking information for our business (i.e., in relation to our 2020 international growth target and our goals for each of our practice areas) in the Core Business and Strategy section as well as the Results (under the Overall Performance, Gross and Net Revenue: 2010 versus 2009 and Liquidity and Capital Resources subheadings) and Outlook sections of this report in order to describe management expectations and targets by which we measure our success and to assist our shareholders in understanding our financial position as at and for the periods ended on the dates presented in this report. Readers are cautioned that this information may not be appropriate for other purposes.

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

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

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

- The professional consulting services industry is highly competitive, which could have a negative impact on our profit margins and market share.
- The nature of our business exposes us to potential liability claims and contract disputes, which may reduce our profits.
- Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future earnings.
- Changing markets may offer opportunities to provide services through alternate models. Failure to respond to these market demands may result in lost revenues.
- 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.
- Interruption to our systems and network infrastructure could adversely impact our ability to operate.
- We bear the risk of cost overruns in a significant number of our contracts. We may experience reduced profits or, in some cases, losses under these contracts if costs increase above our estimates.
- Uncertainties associated with an acquisition may cause a loss of employees.
- We may 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 experience difficulties in integrating an acquired entity's business into our existing operations and so may not realize the anticipated benefits of the acquisition.
- To attain our goal of increasing the size and profitability of our operations, we may pursue and invest in business opportunities outside North America. Unfamiliarity with markets and political environments may impair our ability to increase our international revenues.
- Goodwill and intangible assets acquired from 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 intangible assets, which could have a material adverse effect on our earnings.
- One of our primary competitive advantages is our reputation. If our reputation is damaged due to client dissatisfaction, our ability to win additional business may be materially damaged.
- Our employees may face environmental, health, and safety risks and hazards in the workplace resulting in injury or lost time.

Assumptions
In determining our forward-looking statements, we consider material factors including assumptions about the performance of the Canadian and US economies in 2011 and its effect on our business. The assumptions we made in determining the outlook for each of our practice areas, our annual targets, and our outlook for 2011 are listed in the Outlook section of this report.

The preceding list of factors is not exhaustive. Investors and the public should carefully consider these factors, other uncertainties, and potential events as well as the inherent uncertainty of forward-looking statements when relying on these statements to make decisions with respect to our Company. The forward-looking statements contained herein represent our expectations as of February 24, 2011, and, accordingly, are subject to change after such date. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time. In the case of the ranges of expected performance for fiscal 2011, it is our current practice to evaluate and, where we deem appropriate, provide updates. However, subject to legal requirements, we may change this practice at any ti me at our sole discretion.

EXECUTIVE SUMMARY

Core Business and Strategy

- Our Company provides professional consulting services in planning, engineering, architecture, interior design, landscape architecture, surveying, project management, environmental sciences, and project economics for infrastructure and facilities projects.

- Our goal is to become and remain a top 10 global design and consulting services firm, and our focus is to provide professional services in the infrastructure and facilities market principally on a fee-for-service basis.

Key Performance Drivers and Capabilities

- Our performance depends on our ability to attract and retain qualified people; align our leadership activities with our financial and strategic goals; expand our work with top clients; 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.

Results

- **Continued profitability.** In 2010, we achieved a 2.1% increase in our earnings before interest expense, income taxes, depreciation, amortization, and goodwill and intangible impairments (EBITDA, which is defined in the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this report) compared to 2009 and a 67.4% increase in net income to $93.6 million from $55.9 million in 2009. Diluted earnings per share for 2010 were $2.04 compared to $1.22 in 2009.

- **Ongoing ability to adapt to challenging economic conditions.** We achieved these positive results in a challenging economic environment and competitive landscape. In 2010, we continued to show strong financial performance, demonstrating our ability to adapt our business model to changing markets.

- **Growth through acquisition.** Acquisitions completed in 2009 and 2010 contributed $65.2 million to the change in our gross revenue from 2009 to 2010. (The term gross revenue is defined in the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.) We completed 10 acquisitions in 2010. In the second half of the year, we expanded our international footprint to office locations in India, the United Kingdom, and the United Arab Emirates. With these strong results in 2010, we are well positioned for future growth.

- **Strong balance sheet and liquidity.** Our balance sheet remains solid. In 2010, we generated strong cash flows from operations, which we used for operations and acquisition growth. In 2010, we renegotiated our credit facility from $300 million to $350 million. At December 31, 2010, $123.3 million of our credit facility was available for future acquisitions, working capital needs, and general corporate purposes. To gain additional financial flexibility, we filed a short-form shelf prospectus with regulatory authorities in Canada and the United States, which will allow us to issue, from time to time, up to $300 million in common shares until June 2012.

Outlook

- We believe that our overall outlook for 2011 is a moderate increase in organic revenue, with a targeted 2.0 to 3.0% increase compared to 2010, particularly in regions and practice areas where we are a top-tier service provider. The outlook for each practice area in 2011 ranges from stable for our Buildings and Urban Land practice areas, to stable to moderate organic growth for our Transportation and Environment practice areas, to moderate organic growth for our Industrial practice area.

Risk

- Various factors could cause our actual results to differ materially from those projected in our forward-looking statements and are described in the Risk Factors section of this report. Although the difficult economic environment of the past two years appears to be slowly improving, related pressures, such as increased competition, margin compressions, project delays, and fiscal rebalancing, are not expected to subside immediately. Pressures and uncertainties related to economic recovery, volatility in the Canadian/US exchange rate, and public infrastructure funding may impact our outlook for 2011.

CORE BUSINESS AND STRATEGY

Our Company provides professional consulting services in planning, engineering, architecture, interior design, landscape architecture, surveying, project management, environmental sciences, and project economics for infrastructure and facilities projects. By integrating our expertise in these areas across North America, in the Caribbean, and in other international locations, 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 Strength.” 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 and remain a top 10 global design and consulting services firm, and our focus is to provide professional services in the infrastructure and facilities market principally on a fee-for-service basis while participating in various models of alternative project delivery. In 2009, we developed a new 10-year strategic plan for achieving our objective. From 2010 to 2020, we intend to continue to increase the depth and breadth of our services. We are confident that we can do so because we have built a solid foundation—made up of a robust business strategy, workforce, organizational structure, and systems—to take us into the future. We will remain focused on servicing the North American market while gradually increasing our geographic reach outside North America in markets that are best suited and receptive to our services as these services evolve and mature. Currently, international work accounts for 2% of our business. By 2020, we aim to generate up to 20% of our revenue from our international work.

We plan to grow organically by focusing on cross-selling our existing services to our biggest clients and to new national and global clients. Providing more services to our large clients will strengthen our integrated, “One Team” approach.

Our strategy for achieving these objectives 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
- Managing our assets and operating effectively

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)

Because of the diversity of our model, we are generally able to adapt to changes in market conditions, such as the current economic slowdown, by offsetting decreased demand for services in one practice area with increased demand for services in another practice area.

Through our “One Team” 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 to our operations across our geographic regions.

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

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

Our goal in each of our regions is to position ourselves among the top three service providers. We realize this goal 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 strategic hiring and organic growth.

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 and consulting services through two specialist practice areas—1) Architecture and 2) Buildings Engineering—to both private and public sector clients for a wide range of building types and market sectors across North America and internationally. Our primary focus is the design of healthcare, education, science and technology, airport, retail and commercial, and sports and recreation facilities from preconception to postcompletion. 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 performa nce 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 2010, we expanded our Buildings practice area through the acquisition of Communication Arts, Inc. (CommArts); Anshen & Allen Architecture, Inc. (Anshen + Allen); and Burt Hill, Inc. (Burt Hill), which collectively have offices in Arizona, California, Colorado, Florida, Massachusetts, North Carolina, Ohio, Pennsylvania, and Washington, DC, in the United States. Anshen + Allen also operates in the United Kingdom, and Burt Hill operates in India and the United Arab Emirates. The addition of these firms gave us a new service

area in project visioning and branding and significantly enhanced our capabilities in the healthcare, science and technology, and education sectors.

Going forward, our focus in 2011 and over the next five years will be to integrate the acquisitions completed in 2010 and to continue to grow organically in Canada and the United States. By 2020, we expect our Buildings practice to be among the top three design and consulting practices in North America.

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, representing approximately one third of our Environment revenue, include water supply, treatment, storage, and distribution; wastewater collection, pumping, treatment, and disposal; and watershed management. We derive the remaining revenue in this practice area from environmental assessment, documentation, and permitting; ecosystem restoration planning and design; environ mental site management and remediation; subsurface investigation and characterization; and geotechnical engineering services, half of which we provide to the oil and gas and energy sectors as part of regulatory and permitting activities.

In 2010, we increased our Environment practice area through the addition of Tetr *ES* Consultants Inc. (Tetr *ES*); WilsonMiller, Inc. (WilsonMiller); Natural Resources Consulting, Inc. (NRC); and ECO:LOGIC Engineering (ECO:LOGIC) with offices in California, Colorado, Manitoba, the midwestern United States, and Florida. In particular, the acquisition of these firms strengthened our capabilities in water and wastewater facilities planning and design and in environmental permitting and compliance support.

In 2011 and over the next five years, we will focus on strengthening our Environment practice area by continuing to expand its profile and market share throughout North America, primarily in the water and energy sectors. By 2020, we expect to be a top-tier firm in the water sector in North America and to have a significant local presence in this sector in western Europe and the South Asia/Pacific region. In the energy sector, we aim to be a leading global firm in the environmental review, permitting, and licensing markets and a top-tier provider of liability management services to the top energy firms worldwide.

Industrial. We provide consulting and design services to private, public, and government clients through five specialist practice areas: 1) Industrial Buildings & Facilities, 2) Power, 3) Resources, 4) Mining, and 5) Program & Project Management. Our core offerings include planning, functional programming, engineering, project management, and construction support in market sectors such as oil and gas, fossil and renewable energy, underground mining, linear infrastructure, power transmission and distribution, automotive, forest products, food and beverage, and general manufacturing. We also provide specialty services in strategic management and in the management of multibillion-dollar client programs. Our services span the life cycle of projects from inception to decommissioni ng.

In 2010, we enhanced our Industrial practice through the acquisition of Project Control Group Inc. (PCGI) in Ontario, which bolstered our Program & Project Management practice, and of IEA Holdings, Inc (IEA) in Maine, which strengthened the services we provide to the power sector.

In 2011, we will focus on building our Industrial practice area organically and through acquisitions in strategic sectors in the United States and Canada. Over the next five years, we expect to complete acquisitions that complement our existing practices in order to become a top-tier service provider in North America and to generate a portion of our Industrial revenues internationally. Our goal for 2020 is to develop several of our Industrial practices into top 10 service providers in North America and to earn up to 20% of our Industrial revenues through international work.

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

In 2010, the Transportation practice area expanded through the addition of WilsonMiller, headquartered in Florida, and of Street Smarts, Inc. and Data Smarts, LLC (Street Smarts), based in Georgia. Our focus for this practice area in 2011 is to grow through acquisitions, particularly in California, Texas, Ontario, and British Columbia, and to grow primarily through strategic hiring in the transit sector. Over the next five years, we expect this practice area to move from a top 20 position to a top 10 position in North America. For 2020, our goal is to have a top five Transit practice, viable Aviation and Bridge practices, and a well-diversified Roadways practice that is capable of competing for the largest and most complex projects in most major urban areas across North America.

Urban Land. We provide planning, landscape architecture, surveying, engineering, and project management solutions, principally for the land development, real estate, and retail and commercial industries, through four specialist practice areas: 1) Commercial Program Development, 2) Planning & Landscape Architecture, 3) Urban Land Engineering, and 4) Surveys/Geomatics. Our core services include, or relate to, conceptual and master planning, 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 2010, the acquisition of WilsonMiller, which is a multidiscipline planning, design, and consulting firm, strengthened our Urban Land practice in the US Southeast. During the year, we also continued to diversify the services we provide for non-residential development sectors and to adapt to changes in the North American housing market. Going forward, we are positioning ourselves to serve a growing housing market in North America in 2011 and beyond. Over the next 5 to 10 years, we also aim to be a North American leader in providing geospatial services (geographic information systems, scanning, survey geodetics, and remote sensing), multidisciplinary commercial program development services, and integrated planning and urban design services.

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, enabling us to establish longer-term relationships with clients throughout the project life cycle. Our three-dimensional business model allows us to provide services to many clients and for many projects, ensuring that we do not rely on a few large projects for our revenue and that no single client or project accounts for more than 5% of our business.

KEY PERFORMANCE DRIVERS AND CAPABILITIES

Our performance depends on our ability to attract and retain qualified people; align our leadership activities with our financial and strategic goals; work with top clients; 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

Our most important performance driver is our people. Employees create the project solutions we deliver to clients. Consequently, to achieve our goal of becoming and remaining a top 10 global design firm, we must increase our workforce through a combination of organic hiring and acquisitions. We measure our success in this area by total staff numbers. In 2010, our employee numbers increased to approximately 10,700 from 9,300 in 2009. At December 31, 2010, our workforce was made up of about 6,000 professionals, 3,300 technical staff, and 1,400 support personnel.

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” culture. In 2010, we completed a number of activities, including implementing a Company-wide Award of Excellence program to recognize employees who demonstrate achievement in several key areas, launching a mandatory Ethics and Code of Conduct training program to all staff, updating the Learning Portal (an electronic learning management tool) on our intranet, providing integration training to newly acquired employees, and introducing and updating eLearning modules and tutorials in our Career Development Center and on other intranet online sites. Our C areer Development Center is the online source for all our learning, coaching and mentoring, and professional and career development resources. During the year, we also continued to roll out the leadership development program we launched in 2008 to leaders throughout our regions, updated and enhanced the content and exams in our project management learning series, and delivered a record number of face-to-face and on-demand project management training sessions. We also invested in our staff by focusing on health and safety initiatives, including providing education and training for supervisors in health and safety rights and responsibilities. We will continue to update and improve our learning, career development, and health and safety programs in response to our staff’s needs.

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 using staff from other parts of the Company either through temporary relocation or work sharing. We are continually improving our

ability to work on projects from multiple locations through standardized practices and systems, project collaboration, and Web-based technology.

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

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

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

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

Clients
Another essential performance driver is our ability to attract and retain top clients. For us, the best clients are those with whom we have long-term relationships and for whom we provide multiple services and complete large and innovative projects. Currently, approximately 70% of our business comes through repeat clients, and our 10 largest clients account for about 12% of our revenue. Our goal is to expand the number of top clients we serve through an account management program designed to increase organic growth by building on relationships with existing clients.

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

broaden our services, increase our shareholder value, provide more opportunities for our employees, and lever our information technology systems. Our strategy for achieving our goal is to combine internal growth with the acquisition of firms that believe in our vision and want to be part of our dynamic Company. In 2010, we completed 10 acquisitions. These additions strengthened our capabilities in all our practice areas; brought us a new service area in project visioning and branding; expanded our presence in the United States, particularly in the Midwest and Southeast; and gave us new international office locations in the United Kingdom, the United Arab Emirates, and India. 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's* 2010 report on the top 500 design firms, the largest engineering and architecture companies headquartered in the United States—our principal competitors—generate about US$80 billion in annual fees, approximately 25% of which they earn internationally. Currently, we have approximately a 2% share of this market.

The integration of acquired firms begins immediately following the acquisition closing date and generally takes between six months and two years to complete. It involves the implementation of our Company-wide information technology and financial management systems as well as provision of support services from our corporate and regional offices. This approach allows 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 Toronto Stock Exchange (TSX) in 1994, we have increased our gross revenue at a compound annual rate of 19.4%. 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. In 2010, as part of our long-term financing strategy, we filed a short-form shelf p rospectus with regulatory authorities in Canada and the United States, which allows us to issue, from time to time, up to $300 million in common shares until June 2012. In addition, we reached an agreement with our lenders to increase our credit facility from $300 million to $350 million and to extend its maturity date to August 2013. This agreement also gives us access to an additional $75 million on approval from our lenders. At December 31, 2010, $123.3 million of the facility was available to fund future activities.

Market Penetration
Also key to our success is achieving a certain level of market penetration in the geographic areas we serve. Our target 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.

RESULTS

Fourth Quarter Results

Our results for Q4 10 were strong compared to our results for Q4 09. Our EBITDA increased 3.0% to $45.3 million from $44.0 million, our net income increased 9.6% to $25.1 million from $22.9 million, and our diluted earnings per share increased 10.0% to $0.55 from $0.50 as further explained below.

The following table summarizes our key operating results for Q4 10 on a percentage of net revenue basis and the percentage increase in the dollar amount of these results compared to the same period last year:

	Quarter Ended December 31		% of Net Revenue		% Increase (Decrease)*
(In millions of Canadian dollars, except %)	**2010**	**2009**	**2010**	**2009**	**2010 vs. 2009**
Gross revenue **	**383.7**	342.8	**123.4**%	124.7%	11.9%
Net revenue **	**310.9**	274.8	**100.0**%	100.0%	13.1%
Direct payroll costs	**133.4**	119.0	**42.9**%	43.3%	12.1%
Gross margin **	**177.5**	155.8	**57.1**%	56.7%	13.9%
Administrative and marketing expenses	**132.5**	112.9	**42.6**%	41.1%	17.4%
Depreciation of property and equipment	**6.8**	5.9	**2.2**%	2.2%	15.3%
Amortization of intangible assets	**5.3**	5.7	**1.7**%	2.1%	(7.0%)
Net interest expense	**2.7**	2.2	**0.9**%	0.8%	22.7%
Share of income from associated companies	**(0.3)**	(1.1)	**(0.1**%)	(0.5%)	(72.7%)
Foreign exchange losses	**0.4**	0.3	**0.1**%	0.1%	33.3%
Other income	**(0.4)**	(0.3)	**(0.1**%)	(0.1%)	33.3%
Income before income taxes	**30.5**	30.2	**9.8**%	11.0%	1.0%
Income taxes	**5.4**	7.3	**1.7**%	2.7%	(26.0%)
Net income for the period	**25.1**	22.9	**8.1**%	8.3%	9.6%

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

** *The terms gross and net revenue and gross margin are defined in the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this Management's Discussion and Analysis.*

Gross Revenue

(In millions of Canadian dollars)	**Q4 10 vs. Q4 09**
Increase in gross revenue due to:	
Acquisition growth	33.2
Increase in organic growth	13.5
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(5.8)
Total net increase in gross revenue	40.9

As indicated in the tables above, during Q4 10, our gross revenue increased by $40.9 million, or 11.9%, to $383.7 million compared to $342.8 million for the same period in 2009. Approximately $33.2 million of this increase resulted from an increase in revenue from acquisitions completed in 2010 and 2009, and $13.5 million resulted from organic growth. These increases were partially offset by a $5.8 million foreign exchange impact due to the strengthening of the Canadian dollar in Q4 10. During Q4 10, the average exchange rate for the Canadian dollar relative to the US dollar was US$0.99 compared to US$0.95 during Q4 09.

The following table summarizes the change in gross revenue by practice area in the fourth quarter of 2010 compared to the same period in 2009.

Practice Area Gross Revenue	**Quarter Ended December 31**					
(In millions of Canadian dollars)	**2010**	**2009**	**Total Change**	**Change Due to Acquisitions**	**Change Due to Organic Growth**	**Change Due to Foreign Exchange**
Buildings	87.5	72.6	14.9	16.7	(1.2)	(0.6)
Environment	150.2	144.6	5.6	8.1	0.6	(3.1)
Industrial	57.3	50.1	7.2	1.9	5.7	(0.4)
Transportation	48.0	40.8	7.2	3.1	5.2	(1.1)
Urban Land	40.7	34.7	6.0	3.4	3.2	(0.6)
Total Consulting Services	383.7	342.8	40.9	33.2	13.5	(5.8)

Comparative figures have been restated due to a realignment of our Bio/Pharmaceuticals practice from the Industrial to the Buildings practice area.

Organic growth in Q4 10 was positive in all practice areas except for Buildings, in which there was a slight reduction. This demonstrated the general economic stability and growth experienced in the quarter compared to the decline in organic growth seen in all practice areas at the same time last year due to staff reductions in response to declining backlogs; project cancellations, holds, or delays; and the general economic slowdown in Q4 09. In particular, our Industrial practice area experienced organic growth in Q4 10 due to improved commodity prices and increased activity in the mining and resource sectors leading to greater project opportunities.

Net income during Q4 10 was positively impacted by the increase in gross revenue and an increase in gross margin as a percentage of net revenue. Our gross margin percentage (a non-GAAP measure further discussed in the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this report) was 57.1% in Q4 10 compared to 56.7% in Q4 09. This increase quarter over quarter was mainly due to an increase in the gross margins for our Urban Land and Environment practice areas resulting from the mix of projects during the quarter and increased project efficiencies. The nature of our business model, which is based on diversifying our operations across geographic regions, practice areas, and all phases of the infrastructure and facilities project life cycle, will continue to cause fluctuations in our gross margin percentage from period to period depending on the mix of projects during any quarter.

Net income in Q4 10 was negatively impacted by an increase in our administrative and marketing expenses as a percentage of net revenue from 41.1% in Q4 09 to 42.6% in Q4 10. This increase was primarily due to an increase in administrative and marketing labor as a percentage of net revenue in Q4 10 compared to Q4 09. Staff time charged to marketing and administrative labor may fluctuate from quarter to quarter because it is influenced by the mix of projects in progress and being pursued during the period, as well as by acquisition integration activities. In Q4 10, we were in the process of integrating the eight acquisitions completed during the second half of 2010. In the months following the completion of an acquisition, there is usually an increase in staff time charged to administration and marketing due to integration activities includ ing the orientation of newly acquired staff. Marketing and business development labor also increased due to our continued pursuit of P3 projects as well as client management activities during the quarter.

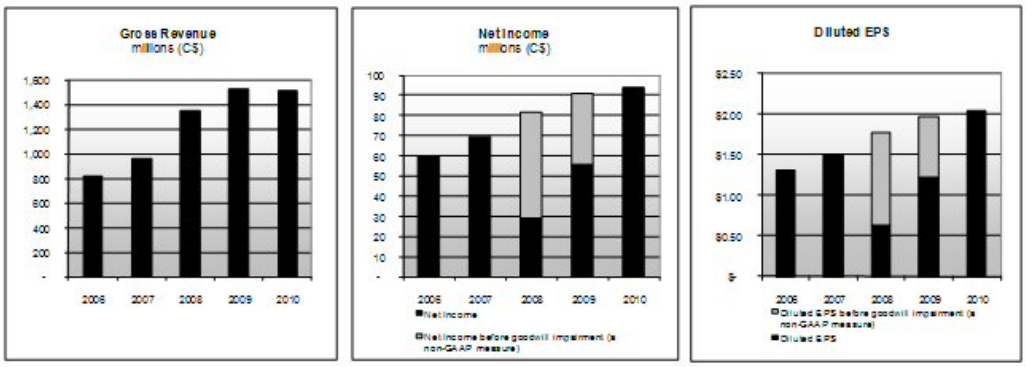
Overall Annual Performance

Highlights for 2010

(In millions of Canadian dollars, except per share amounts)	**2010**	**2009**	**$ Change**	**% Changee**
Gross revenue	1,513.1	1,519.9	(6.8)	(0.4%)
Net revenue	1,226.0	1,242.9	(16.9)	(1.4%)
Net income	93.6	55.9	37.7	67.4%
Earnings per share – basic	2.05	1.23	0.82	66.7%
Earnings per share – diluted	2.04	1.22	0.82	67.2%
EBITDA *(note 1)*	186.3	182.4	3.9	2.1%
Cash flows from operating activities	114.8	100.0	14.8	n/m
Cash flows used in investing activities	(91.6)	(103.2)	11.6	n/m
Cash flows from (used in) financing activities	26.4	(84.1)	110.5	n/m

n/m = not meaningful

note 1: EBITDA is calculated as income before income taxes plus net interest expense, amortization of intangible assets, depreciation of property and equipment, and goodwill and intangible impairment as further discussed in the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.



The following highlights our major financial achievements and strategic activities in 2010, as well as other factors that contributed to our financial performance and overall financial condition:

- **Continued profitability.** The end of 2010 marked 57 years of uninterrupted profitability for our Company. Although our gross revenue remained stable compared to 2009, our net income increased year over year. This increase was mainly because of an $8.2 million decrease in our administrative and marketing expenses, a $2.2 million decrease in the amortization of intangible assets, and a $5.9 million after-tax gain on the sale of equity investments as further described in our Results section below. Our EBITDA for 2010 compared to 2009 increased 2.1% to $186.3 million from $182.4 million, our net income increased 67.4% to $93.6 from $55.9 million, and our diluted earnings per share increased 67.2% to $2.04 from $1.22.

  Excluding the impact of a $5.9 million after-tax gain on the sale of equity investments in 2010, the tax impact of a reorganization of our corporate structure in 2010, and a $35.0 million non-cash goodwill impairment charge in 2009, our net income increased 4.8% to $95.3 million from $90.9 million in 2009, and our diluted earnings per share increased 5.1% to $2.08 from $1.98.

- **Ongoing ability to adapt to challenging economic conditions.** Our 2010 operating results were solid compared to our 2009 results, demonstrating our ability to adapt our business model to changing market conditions. Even with the slow recovery of the Canadian economy and the sluggishness of the US economy, we achieved organic growth in Canada and growth through acquisitions across North America and internationally. Our Urban Land practice area stabilized in 2010 following retraction in 2009. We achieved an increase in revenue in our Buildings and Transportation practice areas, offset by a decrease in revenue in our Environment and Industrial practice areas.

  Despite the continuing challenges facing the North American economy, we believe that we are well positioned to maintain our business and take advantage of market opportunities in 2011 for the following reasons:

  - The diversification of our operations across geographic regions, practice areas, and all phases of the infrastructure and facilities project life cycle as well as our mixture of private and public sector projects give us the flexibility to timely adapt to changing market conditions.

  - We have a strong leadership team that emphasizes a client-centered culture, asset management, and operational effectiveness. We also continue to monitor our short-term backlog and match staff levels to the work available. Our focus on our relationships with our clients enables us to develop a true partnership that we believe leads to repeat work.

  - We have a dedicated team of employees who have shown commitment to providing quality project design and management, as well as to controlling costs and pursuing efficiency in our operations.

  - We have a strong balance sheet and continue to generate sufficient cash flows to meet our operating needs and fund future growth.

- **Growth through acquisitions.** Acquisitions completed in 2009 and 2010 contributed $65.2 million to the change in our gross revenue. We completed 10 acquisitions in 2010.

- **Expansion internationally.** In 2010, with the addition of Anshen + Allen and Burt Hill, we expanded our international footprint to office locations in India, the United Kingdom, and the United Arab Emirates.

- **Strong balance sheet.** Our balance sheet remains solid. In 2010, our operating cash flows increased $14.8 million compared to 2009. At December 31, 2010, $123.3 million of our credit facility was available for future acquisitions, working capital needs, and general corporate purposes. In 2010, we renegotiated our credit facility from $300 million to $350 million. To gain additional financial flexibility, we filed a short-form shelf prospectus with all provincial securities regulatory authorities in Canada and a corresponding base shelf registration statement with the U.S. Securities and Exchange Commission (SEC). Pursuant to the prospectus, we may issue up to $300 million in common shares during a 25-month period effective May 6, 2010.

- **Leadership succession.** As part of our continuing, strong succession plan, Mr. Ronald Triffo announced that he will be stepping down from his position as chairman of the Stantec Board of Directors at our 2010 annual general meeting on May 12, 2011. Mr. Triffo has been associated with our Company since 1977. He was appointed president in 1983, president and chief executive officer in 1988, and chairman of the board in 1998. During his time with Stantec, he has shown exemplary dedication to our Company and has continuously provided outstanding leadership.

Results Compared to 2010 Targets

In our 2009 Management's Discussion and Analysis, we established various ranges of expected performance for 2010.

The following table presents the results we achieved in 2010:

Measure	2010 Expected Range	Results Achieved	
Gross margin as % of net revenue	Between 54.5 and 56.5%	56.1%	P
Administrative and marketing expenses as % of net revenue	Between 41 and 43%	41.7%	P
Net income as % of net revenue	At or above 6%	7.6%	P
Effective income tax rate	Between 32.5 and 34.5%	29.9%	P
Return on equity *(note 1)*	At or above 14%	16.1%	P
Net debt to equity ratio *(note 2)*	At or below 0.5 to 1	0.41	P

note 1: Return on equity is calculated as net income for the year divided by average shareholders' equity over each of the last four quarters as further discussed in the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.
note 2: Net debt to equity ratio is calculated as long-term debt plus current portion of long-term debt less cash and cash equivalents, all divided by shareholders' equity as further discussed in the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.
P Met or performed better than target

In 2010, we met or performed better than all our targets.

Acquisitions

Total consideration for acquisition activity was $113.9 million in 2010 and $144.8 million in 2009. In 2010, we completed the following acquisitions:

- On March 1, 2010, we acquired the net assets of PCGI, which added approximately 10 staff to our Company. The addition of this firm, located in Toronto, Ontario, strengthened our expertise in program and project management. PCGI specializes in project implementation strategy, planning, and controls for complex projects.

- On April 30, 2010, we acquired the shares and business of the Winnipeg, Manitoba-based firm Tetr *ES*, which added approximately 25 staff to our Company. Tetr *ES* is an environmental management consulting firm that specializes in providing infrastructure and master planning, environmental assessment, and management of strategic regulatory issues and regulatory defense and expert testimony for the energy, government, mining, food-processing, petrochemical, and tribunal support sectors. The acquisition of this firm will strengthen our environmental services in Canada.

- On July 2, 2010, we acquired the shares and business of IEA, which added approximately 55 staff to our Company. The acquisition of IEA, headquartered in Portland, Maine, enhanced our expertise in the power sector. IEA specializes in providing engineering, project management, procurement, construction management, and start-up services for the energy market.

- On July 23, 2010, we acquired the shares and business of WilsonMiller, which added approximately 265 staff to our Company. Headquartered in Naples, Florida, with offices throughout the state, WilsonMiller is a multidisciplinary planning, design, and engineering firm that provides services for infrastructure, transportation, land management, and environmental projects to public and private sector clients.

- On July 30, 2010, we acquired the net assets and business of NRC, which added approximately 60 staff to our Company. The acquisition of this firm, headquartered in Cottage Grove, Wisconsin, strengthened our Environment practice area. NRC provides environmental permitting and compliance support services particularly related to the siting and permitting of electrical transmission lines, natural gas and petroleum pipelines, and renewable energy projects.

- On August 6, 2010, we acquired the net assets and business of CommArts, which added approximately 20 staff to our Company. The acquisition of this firm, headquartered in Boulder, Colorado, enhanced our Architecture practice. CommArts is a design firm that specializes in project visioning, branding, and associated conceptual architectural and environmental graphics.

- On September 10, 2010, we acquired the shares and business of Anshen + Allen, which added approximately 200 staff to our Company. Anshen + Allen is an international architecture firm that specializes in the design of healthcare, academic, and research facilities through offices in San Francisco, California; Columbus, Ohio; Boston, Massachusetts; and London, England.

- On September 15, 2010, we acquired the shares and business of ECO:LOGIC, which added approximately 100 staff to our Company. The acquisition of ECO:LOGIC, headquartered in Rocklin, California, enhanced the services offered in our Environment practice area. ECO:LOGIC specializes in the planning, permitting, design, construction management, and operations of water and wastewater facilities in northern California and Nevada.

- On October 8, 2010, we acquired the net assets and business of Street Smarts, which added approximately 60 staff to our Company. These firms, based in Duluth, Georgia, provide services to both the public and private sectors in transportation planning, traffic engineering, roadway design, surveying and geomatics, subsurface utility engineering, and land development. The acquisition of Street Smarts will provide greater depth to the Transportation practice in the southeastern United States and build on our presence in Atlanta, Georgia.

- On December 3, 2010, we acquired the shares and business of Burt Hill, which added approximately 600 staff to our Company. This internationa architecture and engineering firm, headquartered in Butler, Pennsylvania, specializes in higher education and healthcare design. The acquisition of Burt Hill will enhance our presence in the United States and expand our geographic footprint to the United Arab Emirates and India.

During the year, we successfully completed the migration of these acquisitions to our financial enterprise systems except for Anshen + Allen and Burt Hill, which we expect to migrate in 2011.

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:

(In millions of Canadian dollars, except per share and share amounts)	**2010**	**2009**	**2008**
Gross revenue	1,513.1	1,519.9	1,352.0
Net income *(note 1)*	93.6	55.9	29.0
Earnings per share – basic *(note 1)*	2.05	1.23	0.64
Earnings per share – diluted *(note 1)*	2.04	1.22	0.63
Cash dividends declared per common share	Nil	Nil	Nil
Total assets	1,323.5	1,123.5	1,144.9
Total long-term debt	316.6	234.2	249.2
Outstanding common shares – as at December 31	45,768,320	45,716,820	45,448,123
Outstanding common shares – as at February 24, 2011	45,783,652		
Outstanding share options – as at December 31	1,480,831	1,752,298	2,061,828
Outstanding share options – as at February 24, 2011	1,868,833		

note 1: Net income, basic earnings per share, and diluted earnings per share would have been $90.9 million, $2.00, and $1.98, respectively, without the $35 million goodwill impairment charge in 2009, and $82.0 million, $1.80, and $1.78, respectively, without the $53 million goodwill impairment charge in 2008.

The 10 acquisitions completed in 2010, the two completed in 2009, and the five completed in 2008 contributed to our year-over-year growth in gross revenue, net income, and basic and diluted earnings per share.

Balance Sheet. Our total assets increased by $200.0 million from 2009 to 2010. This increase was primarily due to a $48.0 million increase in cash and cash equivalents, a $44.6 million increase in accounts receivable and in costs and estimated earnings in excess of billings, an $11.9 million increase in other assets, a $5.7 million increase in property and equipment, an $82.6 million increase in goodwill, and a $9.2 million increase in intangible assets primarily as a result of growth from acquisitions. Cash and cash equivalents increased because cash was being held at December 31, 2010, for the payment of notes from acquisitions that were payable in early January 2011. Other assets increased by $11.9 million mainly because of an increase in investments held for self-insured liabilit ies and investments acquired through acquisitions, partially offset by the sale of equity investments during the year. The carrying value of the assets and liabilities of our US subsidiaries on our consolidated balance sheets was negatively impacted by the strengthening of the Canadian dollar from US$0.95 at December 31, 2009, to US$1.01 at December 31, 2010.

Our total assets decreased by $21.3 million from 2008 to 2009. This decrease was primarily due to a decrease of $89.3 million in cash and cash equivalents and of $7.4 million in restricted cash. On December 31, 2008, cash and cash equivalents included cash advanced from our credit facility and held for the closing of the Jacques Whitford Group Ltd. and Jacques Whitford Global Group Limited (Jacques Whitford) acquisition. The cash was paid to the vendors on the completion of the transaction on January 2, 2009. These decreases in cash were partially offset by a $17.2 million increase in accounts receivable and in costs and estimated earnings in excess of billings, a $22.0 million increase in goodwill, an $11.5 million increase in intangible assets, and a $13.0 million increase in other assets. Our goodwill, accounts receivable, costs and es timated earnings in excess of billings, intangible assets, and investments in associated companies increased primarily as a result of growth from acquisitions during 2009, offset by a $35.0 million goodwill impairment charge recorded in the third quarter. Other assets increased mainly because of an increase in investments held for self-insured liabilities.

Our total liabilities increased by $122.0 million from 2009 to 2010 primarily due to an $85.6 million increase in our revolving credit facility from $134.6 million to $220.2 million at December 31, 2010. In addition, our accounts payable and accrued liabilities increased by $24.9 million from 2009 to 2010 primarily due to higher payroll costs from an increase in staff numbers and to accounts payable and accrued liabilities assumed from acquired companies. Our billings in excess of costs and estimated earnings increased by $6.1 million, our other liabilities increased by $3.8 million, and our income taxes payable increased by $3.4 million mainly due to tax liabilities assumed from acquired companies. These increases were offset by a $5.4 million decrease in other notes payable primarily because of the notes payable from acquisitions paid d uring the year. Our total liabilities also decreased due to the strengthening of the Canadian dollar from December 31, 2009, as explained above.

Our total liabilities decreased by $29.9 million from 2008 to 2009 primarily due to a $57.9 million decrease in our revolving credit facility from $192.5 million to $134.6 million. Our accounts payable and accrued liabilities decreased by $22.2 million from 2008 to 2009 primarily due to the timing of payroll at year-end. In addition, our taxes payable decreased by $9.9 million due to greater tax installments made in 2009 compared to 2008. These decreases were offset by a $35.9 million increase in other notes payable primarily due to the notes payable issued for the Jacques Whitford acquisition.

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 (decrease)*	
	2010	**2009**	**2008**	**2010 vs. 2009**	**2009 vs. 2008**
Gross revenue	123.4%	122.3%	119.6%	(0.4%)	12.4%
Net revenue	100.0%	100.0%	100.0%	(1.4%)	10.0%
Direct payroll costs	43.9%	43.7%	44.3%	(1.1%)	8.5%
Gross margin	56.1%	56.3%	55.7%	(1.6%)	11.1%
Administrative and marketing expenses	41.7%	41.8%	41.3%	(1.6%)	11.3%
Depreciation of property and equipment	2.0%	2.0%	1.9%	(0.4%)	12.4%
Amortization of intangible assets	1.4%	1.6%	1.2%	(11.1%)	38.5%
Impairment of goodwill and intangible assets	0.2%	2.8%	5.2%	(94.9%)	n/m
Net interest expense	0.7%	0.9%	0.7%	(21.1%)	52.0%
Share of income from associated companies	(0.2%)	(0.3%)	0.0%	(40.5%)	n/m
Gain on sale of equity investments	(0.6%)	0.0%	0.0%	100.0%	0.0%
Foreign exchange (gains) losses	0.1%	0.2%	(0.2%)	(39.1%)	n/m
Other income	(0.1%)	(0.1%)	(0.1%)	12.5%	(33.3%)
Income before income taxes	10.9%	7.4%	5.7%	45.6%	7.8%
Income taxes	3.3%	2.9%	3.1%	11.5%	0.8%
Net income	7.6%	4.5%	2.6%	67.4%	10.9%

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

n/m = not meaningful

Our gross revenue decreased 0.4% and our net revenue decreased 1.4% in 2010 compared to 2009. These declines were mainly due to the impact of foreign exchange and a decrease in organic growth in our Environment

and Industrial practice areas as further explained in the Gross and Net Revenue section below. Excluding the impact of a $5.9 million after-tax gain on the sale of equity investments in 2010, the tax impact of the reorganization of our corporate structure in 2010, and the impact of a $35.0 million goodwill impairment charge in 2009, our net income for 2010 increased by 4.8%. In 2010, our net income was positively impacted by decreases in administrative and marketing expenses, the amortization of intangible assets, and net interest expense as a percentage of net revenue as further explained below.

Gross and Net Revenue

The following table summarizes the impact of acquisitions, organic growth, and foreign exchange on our gross and net revenue for 2010 compared to 2009 and for 2009 compared to 2008. 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 following acquisition is reported as revenue from acquisitions and thereafter as organic growth.

All our practice areas generate a portion of their gross revenue in the United States. The average exchange rate for the Canadian dollar relative to the US dollar increased by approximately 10.2% from 2009 to 2010 (US$0.88 to US$0.97) and decreased by approximately 6.4% from 2008 to 2009 (US$0.94 to US$0.88). The strengthening of the average rate for the Canadian dollar against the US dollar in 2010 compared to 2009 had a negative impact on the change in gross revenue by practice area year over year. Conversely, the weakening of the average rate for the Canadian dollar against the US dollar in 2009 compared to 2008 had a positive impact on the change in gross revenue by practice area year over year.

Gross Revenue

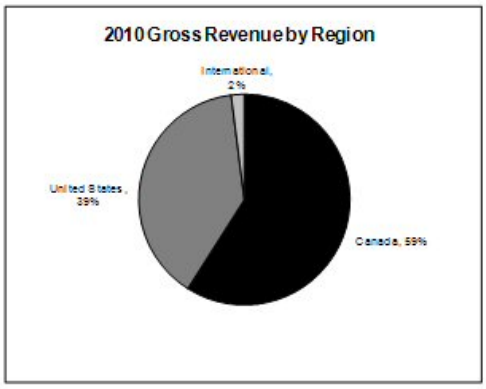
(In millions of Canadian dollars)	**2010 vs. 2009**	**2009 vs. 2008**
Increase (decrease) due to:		
Acquisition growth	65.2	275.7
Organic growth	(9.3)	(154.5)
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(62.7)	46.7
Total net increase (decrease) in gross revenue	(6.8)	167.9

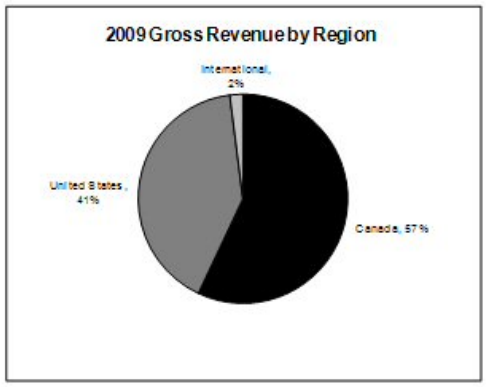
Net Revenue

(In millions of Canadian dollars)	**2010 vs. 2009**	**2009 vs. 2008**
Increase (decrease) due to:		
Acquisition growth	53.4	203.7
Organic growth	(19.8)	(131.0)
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(50.5)	40.1
Total net increase (decrease) in net revenue	(16.9)	112.8

The net decrease in gross revenue was $6.8 million for 2010 over 2009 due to a $62.7 million foreign exchange impact and a $9.3 million decline in organic growth, offset by a $65.2 million increase in acquisition growth. The increase in acquisition gross and net revenue in 2010 compared to 2009 was due to the revenue earned in 2010 attributed to the Granary Associates, Inc. acquisition completed in Q4 09; the PCGI acquisition completed in Q1 10; the Tetr*ES* acquisition completed in Q2 10; the IEA, WilsonMiller, NRC, CommArts, Anshen + Allen, and ECO:LOGIC acquisitions completed in Q3 10; and the Street Smarts and Burt Hill acquisitions completed in Q4

10. The decline in organic growth in 2010 compared to 2009 was experienced in our Environment and Industrial practice areas.





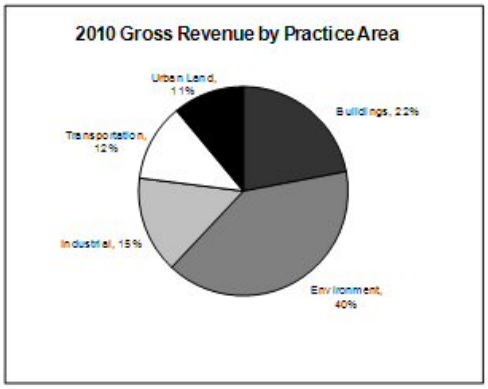
Gross revenue earned in Canada during 2010 increased to $887.1 million from $861.9 million in 2009 and $649.5 million in 2008. Gross revenue generated in the United States in 2010 decreased to $596.6 million compared to $631.1 million in 2009 and $677.5 million in 2008. Gross revenue earned outside Canada and the United States in 2010 was $29.4 million compared to $26.9 million in 2009 and $25.0 million in 2008. Revenues in both our US- and Canadian-based operations were positively impacted by the acquisitions completed in 2010 and 2009.

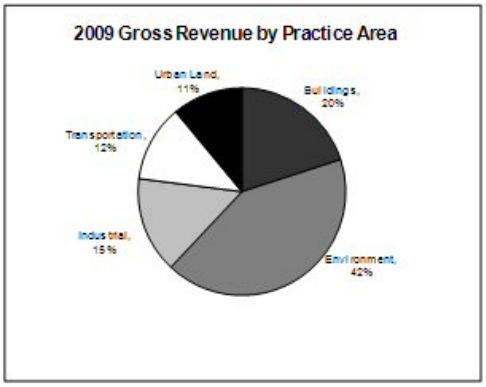
The following table summarizes our gross revenue by practice area for 2010, 2009, and 2008:

Practice Area Gross Revenue *(In millions of Canadian dollars, except %)*	**2010**	**% of Consulting Services Gross Revenue**	**% Change 2010 vs. 2009**	**2009**	**% of Consulting Services Gross Revenue**	**% Change 2009 vs. 2008**	**2008**	**% of Consulting Services Gross Revenue**
Buildings	333.2	22.0%	10.9%	300.5	19.7%	(1.8%)	305.9	22.6%
Environment	601.9	39.8%	(6.3%)	642.4	42.3%	64.7%	390.0	28.9%
Industrial	221.1	14.6%	(2.3%)	226.2	14.9%	3.9%	217.8	16.1%
Transportation	189.3	12.5%	4.0%	182.0	12.0%	5.6%	172.3	12.7%
Urban Land	167.6	11.1%	(0.7%)	168.8	11.1%	(36.5%)	266.0	19.7%
Total Consulting Services	1,513.1	100.0%	(0.4%)	1,519.9	100.0%	12.4%	1,352.0	100.0%

Note: Comparative figures have been restated due to a realignment of our Bio/Pharmaceuticals practice from the Industrial to the Buildings practice area.

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





Practice Area Gross Revenue	**2010 Compared to 2009**			
(In millions of Canadian dollars)	**Total Change**	**Change Due to Acquisitions**	**Change Due to Organic Growth**	**Change Due to Foreign Exchange**
Buildings	32.7	33.5	6.2	(7.0)
Environment	(40.5)	11.7	(22.1)	(30.1)
Industrial	(5.1)	9.2	(8.8)	(5.5)
Transportation	7.3	4.4	14.3	(11.4)
Urban Land	(1.2)	6.4	1.1	(8.7)
Total	(6.8)	65.2	(9.3)	(62.7)

	2009 Compared to 2008			
(In millions of Canadian dollars)	**Total Change**	**Change Due to Acquisitions**	**Change Due to Organic Growth**	**Change Due to Foreign Exchange**
Buildings	(5.4)	5.0	(17.2)	6.8
Environment	252.4	241.2	(4.9)	16.1
Industrial	8.4	25.3	(19.6)	2.7
Transportation	9.7	0.0	1.2	8.5
Urban Land	(97.2)	4.2	(114.0)	12.6
Total	167.9	275.7	(154.5)	46.7

Note: Comparative figures have been restated due to a realignment of our Bio/Pharmaceuticals practice from the Industrial to the Buildings practice area.

The following summarizes the acquisitions completed in 2010 and 2009 that affected the acquisition growth of each of our practice areas during the year:

- **Buildings:** Granary Associates, Inc. (October 2009); Communication Arts, Inc. (August 2010); Anshen & Allen Architecture, Inc. (September 2010); and Burt Hill, Inc. (December 2010)
- **Environment:** Tetr*E S* Consultants Inc. (April 2010); WilsonMiller, Inc. (July 2010); Natural Resources Consulting, Inc. (July 2010); and ECO:LOGIC Engineering (September 2010)

- **Industrial:** Project Control Group Inc. (March 2010) and IEA Holdings, Inc. (July 2010)
- **Transportation:** WilsonMiller, Inc. (July 2010) and Street Smarts, Inc. and Data Smarts, LLC (October 2010)
- **Urban Land:** WilsonMiller, Inc. (July 2010)

2010 versus 2009

Buildings. Gross revenue for our Buildings practice area increased by 10.9% from 2009 to 2010. Of the $32.7 million increase in gross revenue in 2010, $33.5 million was due to acquisitions, and $6.2 was due to organic growth, offset by a $7.0 million foreign exchange impact. During the year, the Buildings practice area continued to actively pursue and secure opportunities in the public-private partnership (P3) Canadian market. For example, we were part of the Carillion Secure Solutions team chosen to develop the new Forensic Services and Coroner's Complex in Toronto, Ontario. Our responsibilities include full integrated design services—architecture, interior design, electrical and structural engineering, and sustainable design consulting. This is the second P3 project we have secured with the Carillion consortium, following the Centre for Addiction and Mental Health project award in November 2009. Despite some softening of the British Columbia market and the slow recovery of the US economy, we continued to secure projects in our principal focus areas of healthcare and educational facility planning and design. For example, we were awarded a project to provide architecture, interior design, and laboratory planning for a new combined ambulatory and research center at Rady Children's Hospital in San Diego, California. The acquisition of Anshen + Allen further strengthened our expertise in the design of healthcare, academic, and research buildings and was instrumental in securing a project to serve as the prime architect for Phase 1 of the University of British Columbia Centre for Brain Health in Vancouver, British Columbia. Our expanded geographic presence also enabled us to win international projects. For example, in the fourth quarter, we secured a project to design the Hamad Medical City Women's Hospital in Doha, Qatar. Our depth of services and breadth of coverage were also instrumental in helping us secure a five-year multiple award task order contract to provide full architecture and buildings engineering services for various projects, including design-build projects, for the Los Angeles District of the U.S. Army Corps of Engineers. The addition of CommArts during the year strengthened our branding, commercial, and airport expertise. This expertise helped us secure a commission to prepare a thematic master plan for the Toronto Pearson International Airport in Toronto, Ontario, a project that is intended to create a stronger sense of identity for the airport and to position it as a global hub. We also secured projects with Canadian banks, which added a new area of expertise to our service offerings. For example, we obtained a project with the Royal Bank of Canada to perform building condition assessments at 414 bank-owned branches located across Canada. The acquisi tion of Burt Hill in the fourth quarter of 2010 will allow us to apply our higher education and healthcare design services on an international platform.

We believe that the outlook for our Buildings practice area is stable for 2011. Acquisitions in this practice area were a highlight in 2010, and we expect that our expanded geographical footprint will allow us to further strengthen and leverage our expertise in healthcare and education in the United States and internationally in 2011, although the expected growth from these acquisitions may be tempered by softened economic conditions in British Columbia, California, and the United Kingdom. In Canada, we expect to continue securing P3 opportunities in 2011 due to our presence and relationships in P3 markets and to the top-tier positioning of our Architecture and Buildings Engineering practices. In addition, we expect to use our design and buildings engineering expertise to increase the scope and size of our work in the United States and in ternationally.

Environment. Gross revenue for our Environment practice area decreased by 6.3% from 2009 to 2010. Of the $40.5 million decrease, $30.1 million was due to the impact of foreign exchange, and $22.1 million was due to a decline in organic growth, offset by $11.7 million due to acquisitions. The decline in organic growth year over year was mainly due to a time lag between the completion of several large projects and the commencement of alternate projects in 2010 compared to the very strong results experienced in 2009. Although we saw the start-up of some new projects in the latter half of 2010, it was slower and more cautious than anticipated. On a sequential basis, revenue trended upward near the end of 2010 assisted by the start-up of new projects and the addition of NRC, ECO:LOGIC, an d WilsonMiller, which expanded our geographic footprint and strengthened our service offerings. As our geographic presence and competitive profile increased, we were able to pursue and win larger,

multiyear, and higher-profile projects. For example, we were awarded a significant multiyear contract with the U.S. Army Corps of Engineers, New Orleans District. As part of a four-firm joint venture, we will provide geotechnical drilling, sampling, and design services in support of continuing efforts to rebuild 350 miles (563 kilometres) of levees and floodwalls affected by Hurricane Katrina. During the year, we provided safety management and oversight, waste disposal coordination, and biological services related to the cleanup and containment of the oil spill in the Gulf of Mexico. We also continued to raise our profile and secure larger projects in the water and wastewater markets. For example, in the fourth quarter of 2010, we obtained a contract to complete the preliminary and detailed design and construction and postconstruction services for Phase 2 of Aquatera's wastewater treatment plant in Grande Prairie, Alberta. Our work involves various practice areas and includes project management and environmental, geotechnical, process mechanical, civil, structural, and mechanical engineering. In 2010, we also continued to pursue and win regulatory and permitting projects in support of energy sector clients, increasingly in the unconventional gas (shale gas) area. For example, we obtained a contract to provide regulatory support services for the Marcellus Lateral Project, which involves the design and construction of a 240-mile (390-kilometre) natural gas liquids pipeline from West Virginia to northern Ohio. Our project scope includes environmental permitting, community outreach, endangered species evaluation, wetlands delineation/mitigation, cultural resources evaluation, surveying, and engineering evaluation. As well, during the year, we secured a contract to provide environmental assessment support for Nalcor Energy's lower Churchill project in Newfoundland and Labrador.

We believe that the outlook for our Environment practice area is stable to moderate organic growth in 2011, with stronger growth possible in the second half of the year. The practice area's expanded geographic presence over the past several years places us in a top 10 category among world environmental service providers, and we expect that our size, presence, and reputation in the environmental market will continue to increase our share of larger, long-term projects with national and international scope in 2011. During 2010, continued financial pressure on North American cities resulted in a sluggish development market and depressed demand for water-related services. Although the water sector may not experience a significant recovery until 2012 or beyond, we believe that we are well positioned to secure opportunities resulting from a more stringent regulatory environment. Regulatory requirements, which largely drive environmental spending by our energy sector clients, are expected to increase as a result of several high-profile industrial spills that occurred in the last year. These high-visibility events may also shift our clients' focus from solely complying with regulations to more proactively managing the integrity of their assets, for which we are well positioned to provide services. As well, growth in the energy sector may be affected by US tax policy, the resumption of offshore work, and the price of oil in 2011.

Industrial. Gross revenue for our Industrial practice area declined by 2.3% from 2009 to 2010. Of the $5.1 million decrease, $8.8 million was due to a decrease in organic growth, and $5.5 million was due to the impact of foreign exchange, offset by $9.2 million due to acquisitions. The decline in organic growth in 2010 was mainly due to the general economic slowdown in 2009, resulting in lower backlog and decreased project opportunities in 2010. In addition, our Industrial practice experienced strong first two quarters in 2009 prior to the onset of the economic downturn. In response to these market conditions, the practice area reduced staff levels throughout 2009 and in the first two quarters of 2010, leading to organic retraction. Despite the decline in revenue year over year, the trend in the last two quarters of 2010 was positive, based on increased utilization, backlog, and staff levels. This improvement was partly due to increased activity in the mining and resource sectors. During the year, we obtained several projects related to the mining of potash and commodities. For example, we were awarded a $44.0 million project to provide design and related services for developing the shaft and hoisting systems for BHP Billiton's Jansen potash mine project in Saskatchewan. We were also selected to provide design and related services for developing shafts for the Oyu Tolgoi copper/gold mine project in Mongolia. Pricing for commodity minerals and oil continued to improve throughout 2010, which led to additional projects. For example, we were chosen to prepare the detailed design for a heavy crude storage expansion at Enbridge's terminal site near Edmonton, Alberta. Our Power practice also continued to strengthen its reputation in the renewable energy market. In addition to significant wind projects, we secured a project to provide engineering services for a "power from biomass" project in Berlin, New Hampshire, which, once complete, will be one of the largest and most

environmentally sound “biomass to energy” facilities in the United States. As well, we were awarded the project management and integration services for the Power Shift Atlantic project in Atlantic Canada. This study will recommend how best to apply innovative smart grid technology. We were also successful in securing a project to design the largest landfill gas to energy facility in the continental United States. The addition of IEA further expanded our opportunities in the energy sector, specifically those relating to natural gas combustion and other forms of thermal energy. We also continue to provide program and project management services for major projects in collaboration with other practice areas. For example, we are providing project planning, control, and advisory services and implementing scope definition and risk management processes for Canada Post Corporation’s Postal Transformation Program, which aims to modernize Canada Post operations across Canada.

We believe that the outlook for our Industrial practice area is moderate organic growth in 2011. After improving throughout the last year, commodity prices are expected to moderate, while activity in the mining and resource sectors is expected to be strong. Because of our capabilities in renewable energy and smart grid technology, we will continue to monitor any market opportunities in sustainable energy development. We believe that our Industrial practice area has sufficient breadth and diversity and the recognized expertise to take advantage of opportunities that arise in the marketplace and is well positioned to meet its objectives in 2011.

Transportation. Gross revenue for our Transportation practice area increased by 4.0% from 2009 to 2010. This practice area increased its revenue from organic growth by $14.3 million and from acquisition growth by $4.4 million in 2010 compared to 2009, but this increase was offset by an $11.4 million foreign exchange impact. The increase in gross revenue was assisted by our continued success in obtaining significant P3 projects in 2010. For example, we were contracted to lead the engineering team on the design of British Columbia’s 34-kilometre (21-mile) South Fraser Perimeter Road, including interchanges, intersections, and side roads. Several of our service areas are working on this P3 project. We were also part of a team that was awarded the Stoney Trail Southeast project in Calgary, Alberta. Our services include the design of the roadworks and structures for the Highway 22X portion of the project. Based on our transportation expertise and strong client relationships, we also secured major projects with repeat clients during the year. For example, we were awarded a project to colead an eight-firm team that will design a 3.2-mile (5-kilometre) extension of the METRO Light Rail system through downtown Mesa, Arizona, for Valley Metro Rail, a client we have worked with since it first developed its light rail system. We were also chosen by Metrolinx (formerly the Greater Toronto Transportation Authority) to provide engineering and program support services for the implementation of five rapid transit projects in the city of Toronto and York Region in Ontario. The practice area also continued to work on a number of projects with long-term clients such as the New York State Department of Transportation, the Ontario Ministry of Transportation, and Alberta Transportation. In addition, we secured a significant project with a newer client—the South Carolina Department of Transportation. This project entails traffic simulation modeling and toll revenue forecasting for a corridor feasibility study along Interstate 526 in Charleston, South Carolina. The Transportation practice area continued to work on a stable stream of projects in Canada and the United States, including roadway rehabilitation and ongoing bridge inspection projects, as well as a wide range of new and upgrade projects in the rail and transit sectors across North America. The addition of Street Smarts and WilsonMiller will provide greater depth to the practice area in the southeastern United States and build on our current presence in Atlanta, Georgia, and the Gulf Coast of Florida.

We believe that the outlook for our Transportation practice area is stable to moderate growth in 2011. P3 projects continue to provide a potential stream of work in Canada, where our size and geographic presence are well suited for these larger assignments. We also expect our rail and transit groups to maintain their current activity levels in 2011. However, decreasing tax revenues, efforts to reduce state and provincial deficits, and continued uncertainty in the United States about long-term funding may cause delays in some planned transportation projects.

Urban Land. Gross revenue for our Urban Land practice area declined by 0.7% from 2009 to 2010. Of the $1.2 million decrease in gross revenue in 2010, $8.7 million was due to the impact of foreign exchange, offset by $6.4 million due to acquisition growth and $1.1 million in revenue from organic growth. This practice area experienced

significant retraction in revenue throughout 2009; however, its revenue stabilized in 2010. We offer urban land services primarily in three core regions—Alberta and Ontario in Canada and California in the United States—and these regions accounted for approximately 70% of our urban land business in 2010. The remainder of our urban land work is spread throughout a number of locations in the United States and Canada. During 2010, single-family housing starts in the United States increased marginally compared to 2009. whereas single-family housing starts in Canada returned to close to historic average levels. During the year, the Urban Land practice area took advantage of renewed opportunities in the Canadian residential market. For example, preliminary work continued on a new 130-hectare (320-acre) residential development in Red Deer, Alberta, for which we are providing planning, engineering, landscape architecture, geomati cs, and construction management services. In Ontario, we were awarded the final engineering design work for a 900-unit development for Mattamy Homes in Markham. In 2010, although the recovery of the residential sector in the United States was slower than forecasted, we secured preliminary work on significant projects such as Walton's 1,600-acre (647-hectare) residential community in Arcade, Georgia, which features a wide range of housing types and a town center located around a lake. Given the ongoing weaker housing market in the United States, we continued to pursue non-residential work to supplement our residential project backlog. For example, we designed artificial turf fields at the historic Florida Citrus Bowl in Orlando, Florida. The practice area also continued to provide light detection and ranging (LIDAR) scanning—an optical remote sensing technology—for projects in the United States. During the year, we were contracted to complete the LIDAR scanning of Tappan Zee Bridge in New Yo rk, New York. We also secured a project to perform topographic and boundary surveys of three railroad substations in the Borough of Queens, New York. As well, in the fourth quarter we were chosen by the North Carolina Department of Transportation to provide route location surveys for the design of new roadways and road improvements throughout North Carolina using conventional and global positioning system surveying, subsurface utility engineering, and LIDAR scanning technology. The addition of WilsonMiller during the year established a significant presence for our Transportation practice in Florida.

Due to generally anticipated stability in the Canadian and US residential sectors, we believe that the outlook for our Urban Land practice area in 2011 is stable. In 2011, we expect to continue diversifying our client base, building and leveraging our reputation with the public sector, and focusing on relationships with larger clients who require more complex services as well as our multidisciplinary team approach.

2009 versus 2008

Buildings. Gross revenue for our Buildings practice area declined by 1.8% from 2008 to 2009. Of the $5.4 million decrease in gross revenue in 2009, $17.2 million was due to a decline in revenue from organic growth, offset by a $5.0 million increase in revenue due to acquisitions and a $6.8 million foreign exchange impact. The decline in revenue from organic growth resulted from a decrease in the use of subconsultants and other direct costs compared to 2008 due to the nature of projects worked on during 2009. Despite the challenging economic climate, the practice area remained relatively stable in 2009 because of its geographic and sector diversification. We continued to secure significant projects in our principle focus areas of healthcare and education and to seek opportunities in t he P3 market. For example, during 2009, we were selected by a P3 client as the preferred proponent for a redevelopment project at the Centre for Addiction and Mental Health in Toronto, Ontario. Our responsibilities included full integrated design services—architecture; mechanical, electrical, structural, and civil engineering; sustainable design consulting; and transportation engineering. We were also chosen to serve as a technical advisor for the redevelopment of the King Edward VII Memorial Hospital in Hamilton, Bermuda. The redevelopment plans include a patient tower, ambulatory care center, and new central utility plant. The design, construction, financing, and maintenance of the facility will be delivered through a P3 client. Another notable healthcare project was the design of a new veterans' outpatient mental health and research facility at the Puget Sound Medical Center in Seattle, Washington, for the U.S. Department of Veterans Affairs. We were also contracted by the University of the Fr aser Valley to provide integrated services in architecture, landscape architecture, interior design, and structural, mechanical, electrical, and civil engineering for the first phase of the relocation of its Chilliwack campus to a 35-hectare (86-acre) site. During 2009, the Buildings practice area continued to develop its expertise in the commercial interior and retail sector and is well positioned to take on any

potential increased activity in this sector. For example, the practice area provided architecture and engineering-related services on a variety of Alberta Treasury Branch corporate administration space renovations and branch expansions.

Environment. Gross revenue for our Environment practice area grew by 64.7% from 2008 to 2009. Of the $252.4 million increase in gross revenue in 2009, $241.2 million was due to acquisitions, and $16.1 million was due to the impact of foreign exchange, offset by a $4.9 million decline in revenue from organic growth. The practice area performed well during 2009, which was a challenging year. Our expanded geographic reach in 2009 placed us in a top 10 category among world environmental service providers. With the addition of Jacques Whitford, we increased our footprint and competitive profile, which enabled us to pursue and win larger, multiyear, and higher-profile projects. For example, we were awarded several multiyear indefinite delivery/indefinite quantity contracts with the U.S. Ar my Corps of Engineers to conduct multidiscipline engineering inspections of levees as part of its Levee Safety Program. Because our environmental expertise is often required at the front end of energy-related projects that operate on a long-term planning cycle, much of our Environment practice area's work for energy sector clients is not directly affected by short-term fluctuations in oil and gas prices. During 2009, we secured work from a joint venture between TransCanada Pipelines and Exxon Mobil Corporation to provide environmental management and regulatory support services for the Alaska Pipeline Project. We were also awarded a global, multiyear, preferred supplier contract to provide environmental assessment and remediation services to Chevron at sites throughout North America, South America, the Asia Pacific region, the Middle East, and Russia. Our environmental management and remediation business, particularly with wind power clients, improved at the end of 2009 as clients began to access more r eadily available project funding. We also continued to win larger projects in the water and wastewater markets. For example, during 2009, the Massachusetts Water Resources Authority, one of the largest water and wastewater utilities in the United States, chose us to design the rehabilitation of the West Roxbury Tunnel in Boston, Massachusetts. We examined the conditions of the tunnel and explored the viability of several rehabilitation and realignment options. We were also chosen to assist several large US power producers in evaluating their coal by-product disposal processes and facilities and were commissioned by the Tennessee Valley Authority to perform facility assessments of the industrial treatment ponds at its 11 fossil power plants in Tennessee, Kentuck y, and Alabama.

Industrial. Gross revenue for our Industrial practice area grew by 3.9% from 2008 to 2009. Of the $8.4 million increase in gross revenue in 2009, $25.3 million was due to acquisitions, and $2.7 million was due to the impact of foreign exchange, offset by a $19.6 million decline in revenue from organic growth. The economic slowdown, as well as the cancellation or placement on hold of some projects, impacted the practice area's backlog. In response to these market conditions, it reduced its staff levels in 2009. Despite this exposure to difficult market conditions in 2009, the Industrial practice area performed well. For example, although there was a severe decline in the mining industry during the year, we continued to secure work on significant mining projects. We obtained a pr oject with Vale Inco to perform mining studies and provide related engineering services on a number of underground mining projects, including the Totten and Kelly Lake projects in Ontario and the Voisey's Bay project in Labrador. During 2009, we also positioned ourselves to pursue projects in the potash industry and in the mining of non-commodities such as gold and diamonds to counteract reduced opportunities resulting from lower oil and mineral prices. As a result, we were selected to provide specialty services for a number of Potash Corporation of Saskatchewan underground projects and operations, including the Allan, Rocanville, and Lanigan mines in Saskatchewan and the Picadilly mine in New Brunswick. We also continued to provide services for the development of facilities and infrastructure in support of major projects in western Canada as well as program and project management services. For example, we were selected to provide program management and technical support services for the multibillion-d ollar Capital Regional District—Core Area Wastewater Treatment Program in Victoria, British Columbia. In addition, the practice area continued to strengthen its reputation in the areas of clean coal and carbon capture, power transmission and distribution, and renewable energy, such as wind power. During 2009, we secured a project to provide civil, structural, and electrical engineering services for the development of a new 115-megawatt wind farm in southern Alberta.

Transportation. Gross revenue for our Transportation practice area grew by 5.6% from 2008 to 2009. Of the $9.7 million increase in gross revenue in 2009, $1.2 million was due to organic growth, and $8.5 million was due to the impact of foreign exchange. During 2009, the Transportation practice area demonstrated its ability to expand its expertise and capabilities by securing projects in rail, transit, and intelligent transportation systems design. For example, the Los Angeles County Metropolitan Transportation Authority (Metro) selected our Transportation group to provide construction management support services for its major capital projects. This contract, which has the potential to extend for seven years, includes the Metro Orange Line Extension project and a high-occupancy vehicl e network expansion project in central Los Angeles, California. At the signing of the contract, it was the largest project that our Transportation practice area had secured in California to date. In addition, our geographic expansion to Southern California enabled us to be part of a team selected to provide on-call project management, construction management, and staff assistance services to the Southern California Regional Rail Authority in Los Angeles in support of a wide variety of new capital construction and rehabilitation projects for its Metrolink commuter rail system. We were also awarded a contract with the U.S. Department of Transportation Federal Transit Administration to provide project management oversight services. This five-year agreement involved overseeing and reviewing work completed by transportation and transit agencies across the United States and demonstrated our growing presence and increased profile in the US transit market. During 2009, the Transportation practice area also continued to work on a stable stream of projects in Canada. For example, we provided preliminary and detailed design services for the development of the Cumberland Transitway in Ottawa, Ontario. This project included drainage design, stormwater management, underground services, and illumination design for an extension to North America's most comprehensive bus rapid transit system. We also obtained a contract to complete the detailed design, contract administration, and inspection of various local roadways in the Elmira, Ontario, area.

Urban Land. Gross revenue for the Urban Land practice area declined by 36.5% from 2008 to 2009. Of the $97.2 million decrease in gross revenue in 2009, $114.0 million was due to a decline in revenue from organic growth, offset by a $12.6 million foreign exchange impact and a $4.2 million increase in revenue due to acquisitions. During the year, revenue for the Urban Land practice area was primarily impacted by a decline in housing starts in the United States and Canada compared to 2008 and to a lesser extent by a decline in commercial rollout programs. In the United States, single-family housing starts reached their lowest levels during the first quarter of 2009 and showed signs of recovery at the end of the year, while in Canada, single-family housing starts bottomed out in the seco nd quarter of 2009 and improved in the second half of the year. In response to these market conditions in 2009, our Urban Land group continued to decrease and match its staff levels to the work available. As well, it continued to share work between Canadian and US groups, to pursue non-residential projects, and to work on projects being undertaken by other practice areas to counteract the reduced opportunities resulting from low housing starts. For example, we secured a project to provide consulting services for the development of a new college athletic field complex at the University of Guelph in Guelph, Ontario. This project demonstrated the strength of our multidisciplinary team approach by combining the global expertise of our Sport group in Boston, Massachusetts, with the local strength of the Landscape Architecture group in Kitchener, Ontario**.** The practice area also secured several public sector projects during 2009. For example, we were awarded a five-year contract with up to $30.0 million in fees from the US federal government to provide three-dimensional laser scanning services to the U.S. General Services Administration, the government body that oversees the construction and management of federal buildings throughout the United States. We were also awarded a project to complete an aesthetic design study for a 26-kilometre (16-mile) section of Highway 416 for the Ontario Ministry of Transportation in Ottawa, Ontario. This project involved the expertise of various service groups from Canada and the United States.

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 56.1% in 2010 from 56.3% in 2009 and increased to 56.3% in 2009 from 55.7% in 2008. Our gross margin for 2010 was within the anticipated range of 54.5 to 56.5% set out in our 2009 Financial Review. The decrease in our gross margin percentage from

2009 to 2010 was due to a decrease in the gross margins for the Buildings and Industrial practice areas, partially offset by an increase in the gross margins for the Environment, Transportation, and Urban Land practice areas as further explained below.

The increase in our gross margin percentage from 2008 to 2009 was mainly due to an increase in the Environment practice area gross margin due to improved project execution and the nature of the projects assumed from Jacques Whitford, including more up-front planning and environmental assessment work. Because of its growth in 2009, this practice area was also able to secure larger projects, which, due to their nature, present greater opportunities to produce higher margins. Our gross margin percentages in our Buildings, Industrial, Transportation, and Urban Land practice areas in 2009 were similar to those in 2008.

The following table summarizes our gross margin percentages by practice area for 2010, 2009, and 2008:

Practice Area Gross Margin	**2010**	**2009**	**2008**
Buildings	56.0%	57.2%	57.4%
Environment	58.2%	57.7%	55.9%
Industrial	51.1%	52.6%	52.2%
Transportation	54.3%	53.7%	53.5%
Urban Land	58.3%	57.2%	57.6%

Note: Comparative figures have been restated due to a realignment of our Bio/Pharmaceuticals practice from the Industrial to the Buildings practice area.

In general, fluctuations in the gross margin reported from year to year depend on the mix of projects in progress during any year and on our project execution. These fluctuations reflect the nature of our business model, which is based on diversifying our operations across geographic regions, practice areas, and all phases of the infrastructure and facilities project life cycle. In the Buildings practice area, in addition to project mix, the decrease in gross margin was a reflection of increased competition, the continued softening of the British Columbia market, and increased activity relating to the pursuit of P3 opportunities. During the pursuit phase, we perform work for a reduced fee, which we make up if we are successful in securing the project. In the Industrial practice area, the decrease in gross margin was due to the mix of proj ects and competitive pressures on fees.

Administrative and Marketing Expenses

Our administrative and marketing expenses decreased by $8.2 million from 2009 to 2010. As a percentage of net revenue, our administrative and marketing expenses were 41.7% in 2010 compared to 41.8% in 2009, falling within the low end of our expected range of 41 to 43%. Administrative and marketing expenses may fluctuate from year to year because of the amount of staff time charged to marketing and administrative labor, which is influenced by the mix of projects in progress and being pursued during the period, as well as by business development and acquisition integration activities. In the months following the completion of an acquisition, there is usually an increase in staff time charged to administration and marketing due to integration activities including the orientation of newly acquired staff. Our administrative and marketing expen ses as a percentage of net revenue were lower in 2010 compared to 2009 despite the integration activities resulting from the 10 acquisitions completed during the year, demonstrating our focus on managing our costs and operating efficiently. In 2010, we also incurred fewer one-time costs such as severance payments and other costs associated with the downsizing of our operations compared to 2009. The decrease in administrative labor as a percentage of net revenue in 2010 was partially offset by an increase in marketing and business development labor as a percentage of net revenue due to the pursuit of P3 projects as well as enhanced client management activities during the year.

Our administrative and marketing expenses increased by $52.9 million from 2008 to 2009. As a percentage of net revenue, our administrative and marketing expenses were 41.8% in 2009 compared to 41.3% in 2008, falling

within our expected range of 41 to 43.5%. In 2009, we incurred one-time costs such as severance payments and other costs associated with the downsizing of our operations. Without these one-time costs, our administrative and marketing expenses as a percentage of net revenue would have been at the low end of our targeted range for 2009, demonstrating our focus on efficiency and cost management in difficult economic times.

Depreciation of Property and Equipment
Depreciation of property and equipment as a percentage of net revenue was 2.0% in 2010, 2.0% in 2009, and 1.9% in 2008. Depreciation was stable from 2009 to 2010, whereas depreciation increased by $2.7 million from 2008 to 2009 primarily due to the addition of property and equipment from acquisitions made in the year corresponding with our growth.

Goodwill
We conduct an annual goodwill impairment test on July 1 of each fiscal year or more frequently if circumstances indicate that an impairment may occur. Our goodwill is allocated to our reporting units. In 2008 and Q1 09, our reporting units were defined as Canada, the US West, and the US East. Effective Q2 09, our reporting units were defined as Canada West, Canada East, the US West, and the US East. These units are determined based on the way we organize the Company for making operating decisions and assessing performance. We do not monitor or allocate goodwill to practice areas or below the reporting unit level.

Goodwill impairment testing is a two-step process. In the first step, we compare the fair value of our reporting units to their carrying value. We estimate the fair value using a methodology that considers market information and projections of our discounted after-tax cash flows, which is known as the income approach. The income approach uses a reporting unit's projection of estimated operating results and discounted cash flows based on a discount rate that reflects current market conditions. For our 2010 impairment test, we discounted our reporting units' cash flows using discount rates ranging from 9.7% to 11.5% (2009 – 10.5% to 12.0%).

If the carrying value of the reporting unit is higher than its fair value, goodwill is potentially impaired and step two of the impairment test must be performed. In step two of the testing process, we compare the estimated fair value of the goodwill of our reporting units to their respective carrying value. We calculate the estimated fair value of the goodwill in the same manner as if the reporting unit were being acquired in a business combination, considering factors including the cash flows and fair values of the net tangible and intangible assets. If the estimated fair value of the goodwill is less than its carrying value, an impairment charge is recorded for the difference.

As further discussed in note 4 of our 2010 audited consolidated financial statements, during the third quarter of 2010, based on the results of our annual impairment test, we concluded that the fair value of our four reporting units exceeded their carrying value and, therefore, goodwill was not impaired. The fair value of three of the reporting units exceeded their carrying value by a substantial amount, whereas the fair value of the US West reporting unit exceeded its carrying value by approximately 9.0%. As at July 1, 2010, the carrying value of the US West goodwill was $154.4 million, or 33%, of the consolidated goodwill.

In 2009, our annual impairment test determined that our US West reporting unit's goodwill was impaired. The impairment was due to fluctuations in the market and uncertainties arising from overall economic conditions in 2009 primarily relating to our Urban Land practice area, which comprised approximately 19% of the reporting unit's gross revenue year to date as compared to approximately 60% for the same period in 2006 when economic conditions were favorable for the practice area. The $35.0 million impairment charge was allocated to our US West reporting unit and reflected as a non-cash charge to income. After the impairment charge, the aggregate carrying value of the US West goodwill was $157.2 million, or 34%, of the consolidated goodwill balance. Goodwill impairment charges are non-cash in nature and do not have any adverse effect on our liquidity, cash flows from operating activities, or debt covenants and will not have an impact on our future operations.

In 2008, due to fluctuations in the market and uncertainties arising from overall economic conditions, our annual impairment review resulted in a goodwill impairment charge of $53.0 million during the third quarter. This charge was allocated to our US West and US East reporting units and reflected as a non-cash charge to income. After the impairment charge, the aggregate carrying value of the US West goodwill was $168.2 million, or 46%, of the consolidated goodwill balance, and the aggregate carrying value of the US East goodwill was $105.2 million, or 29%, of the consolidated goodwill balance. For a more detailed explanation of the methodology, estimates, and assumptions used in testing goodwill, refer to the Critical Accounting Estimates section under the Critical Accounting Estimates, Developments, and Measurements heading below.

Intangible Assets
The timing of completed acquisitions, the size of acquisitions, and the type of intangible assets acquired impact the amount of amortization of intangible assets in a period. Client relationships are amortized over estimated useful lives ranging from 10 to 15 years, whereas contract backlog is amortized over an estimated useful life of generally 1 to 3 years. Consequently, the impact of the amortization of contract backlog can be significant in the 4 to 12 quarters following an acquisition. Backlog is a non-GAAP measure further discussed in the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section below. As at December 31, 2010, $4.8 million of the $73.4 million in intangible assets related to backlog. Also included in intangible assets are purchased and internally generated computer soft ware that is replaceable and not an integral part of related hardware. This computer software is amortized over estimated useful lives ranging from 2 to 7 years.

The following table summarizes the amortization of identifiable intangible assets:

Intangibles

(In thousands of Canadian dollars)	**2010**	**2009**	**2008**
Amortization of client relationships	5,176	5,043	4,193
Amortization of backlog	6,083	8,074	6,211
Software	5,648	5,343	3,585
Other	692	1,360	275
Total amortization of intangible assets	17,599	19,820	14,264

The $2.2 million decrease in the intangible assets amortization between 2009 and 2010 was mainly due to the fact that the RHL Design Group, Inc., SII Holdings, Inc. (Secor), Vollmer Associates LLP, and Fuller, Mossbarger, Scott & May Engineers backlog balances were fully amortized during 2009 and, therefore, were not carried into 2010. The decrease was partially offset by an increase in amortization due to the purchase of Microsoft software at the beginning of the year. During 2010, $18.6 million in intangible assets was acquired mainly from Burt Hill, Anshen + Allen, ECO:LOGIC, Granary, and WilsonMiller.

The $5.6 million increase between 2008 and 2009 was mainly due to the amortization of the backlog balances of Jacques Whitford, Secor, McIntosh, and RHL Design Group Inc.

In accordance with our accounting policies, we test intangible assets for recoverability when events, or a change in circumstances, indicate that their carrying amount may not be recoverable. The determination of recoverability is based on an estimate of undiscounted cash flows. If the carrying value of the intangible asset exceeds the recoverable amount, the fair value of the intangible asset is determined. An impairment loss is recorded based on the amount that the carrying value of an intangible asset exceeds its fair value. As part of the impairment test, we update future cash flow assumptions and estimates, including factors such as current and future contracts with

clients, margins, market conditions, and the useful lives of assets. For further discussion of the methodology used in testing long-lived assets and intangibles for impairment, refer to the Critical Accounting Estimates section under the Critical Accounting Estimates, Developments, and Measurements heading below.

During the second quarter of 2010, based on our review of indicators of impairment, we tested our intangible assets for recoverability. As a result of this review, we recorded a $1.8 million non-cash impairment charge to income related to certain client relationships and a lease advantage. The impairment primarily reflected a decline in expected future cash flows from these clients and a reduction in the value of a favorable lease in our New York, New York, office. The remaining carrying value of these specific client relationships, following this impairment charge, was $947,000. The carrying value of the favorable lease was reduced to zero. During the third quarter of 2010, we also completed our annual impairment test of intangible assets. Based on the results of this review, we concluded that there was no further impairment to these ass ets.

During the third quarter of 2009, based on the results of our annual impairment test, we concluded that there was no impairment to intangible assets. During the third quarter of 2008, based on the results of our annual impairment test, we concluded that intangible assets relating to certain client relationships were not fully recoverable and, therefore, recorded a non-cash $5.4 million impairment charge to income. The impairment primarily reflected the financial distress experienced by specific clients in regards to client relationships acquired in The Keith Companies, Inc. acquisition in 2005. The remaining carrying value of these client relationships after this impairment charge was $6.0 million at December 31, 2008.

Net Interest Expense

The $2.4 million decrease in net interest expense in 2010 compared to 2009 was a result of having less long-term debt throughout the first half of 2010 compared to 2009 and lower interest rates during the second half of 2010 compared to 2009. At December 31, 2010, $220.2 million was outstanding on our credit facility versus $134.6 million outstanding at December 31, 2009. During 2008, we entered into an interest rate swap agreement that had the effect of converting the variable interest obligation associated with US$100 million of our credit facility, based on a LIBOR rate, into a fixed interest rate of 3.43%, plus an applicable basis points spread. This swap agreement ended September 3, 2010, resulting in a decrease in our average interest rate to 2.97% at December 31, 2010, compared to an average rate of 3.42% at December 31, 2009, taki ng into effect the interest rate swap. Depending on the form under which the credit facility is accessed, rates of interest may vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates, plus specified basis points. The specified basis points may vary, depending on the Company's level of consolidated debt to EBITDA, from 100 to 225 for Canadian prime and US base rate loans and from 200 to 325 for bankers' acceptances, LIBOR loans, and letters of credit. (Debt to EBITDA is defined in the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.) At December 31, 2010, $144.2 million of our bank loan was payable in US funds (US$145.0 million), and $76.0 million was payable in Canadian funds.

Based on our credit facility balance at December 31, 2010, we estimate that a 0.5% increase in interest rates, with all other variables held constant, would decrease our net income by approximately $772,000 for the year and decrease our basic earnings per share by approximately $0.02 for the year. A 0.5% decrease in interest rates would have an equal and opposite impact on our net income and basic earnings per share.

The $3.9 million increase in net interest expense in 2009 compared to 2008 was a result of having more long-term debt throughout the first three quarters of 2009 compared to 2008, offset by lower interest rates over the same period. At December 31, 2009, $134.6 million was outstanding on our credit facility versus $192.5 million outstanding at December 31, 2008. Taking the effect of the interest rate swap into consideration, our average interest rate was 3.42% at December 31, 2009, compared to 3.36% at December 31, 2008.

Foreign Exchange Gains/Losses

We reported a foreign exchange loss of $1.4 million in 2010 compared to a $2.3 million loss in 2009 and a $2.0 million gain in 2008. These foreign exchange gains and losses arose on the translation of the foreign-denominated assets and liabilities held in our Canadian companies and in our non-US-based foreign subsidiaries. We minimize our exposure to foreign exchange fluctuations by matching US-dollar assets with US-dollar liabilities and, when appropriate, by entering into forward contracts to buy or sell US dollars in exchange for Canadian dollars. The foreign exchange losses in 2010 and 2009 were due to the volatility of daily foreign exchange rates and the timing of the recognition and relief of foreign-denominated assets and liabilities. As at December 31, 2010, we had no foreign currency forward contract agreements.

During 2010, we also recorded a $19.1 million foreign exchange loss in our currency translation adjustments in other comprehensive income compared to a $57.2 million loss in 2009 and a $76.9 million gain in 2008. These unrealized gains and losses arose when translating the operations of our US-based subsidiaries. We do not hedge for this foreign exchange translation risk. The loss recorded during 2010 was due to the strengthening of the Canadian dollar from US$0.95 at December 31, 2009, to US$1.01 at December 31, 2010, and the loss recorded during 2009 was due to the strengthening of the Canadian dollar from US$0.82 at December 31, 2008, to US$0.95 at December 31, 2009.

We estimate that, due to a slight net exposure at December 31, 2010, a $0.01 increase or decrease in the US-dollar to Canadian-dollar exchange rate, with all other variables held constant, would have had an immaterial impact on our net income for the year.

Income Taxes

Our effective income tax rate for 2010 was 29.9% compared to 39.0% for the year ended December 31, 2009. The 29.9% rate was below our target range of 32.5 to 34.5% set out in our 2009 financial Review. Our 2010 effective income tax rate was impacted by the following:

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

- In the third quarter of 2010, we recorded a $7.2 million gain on the sale ($5.9 million on an after-tax basis) of our 30% equity investment in Fugro Jacques Geosurveys Inc. and Fugro Jacques N.V., and a portion of the gain was not subject to income taxes.

Excluding the impacts of this corporate tax reorganization and of the gain on the sale of equity investments, our effective income tax rate for 2010 would have been 25.7%.

Our effective income tax rate for 2009 and 2008 would have been 28.2% and 30.2%, respectively, excluding the impact of the goodwill impairment charge of $35.0 million recorded in 2009 and of $53.0 million recorded in 2008. The decrease from 30.2% to 28.2% was due to additional income earned in our lower tax rate jurisdictions; an increase in income from associated companies, which we receive on an after-tax basis; and a reduction in the statutory tax rate in Canada in 2009.

Quarterly Trends

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

Quarterly Unaudited Financial Information

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

	2010				2009			
	Dec 31	**Sep 30**	**Jun 30**	**Mar 31**	**Dec 31**	**Sep 30**	**Jun 30**	**Mar 31**
Gross revenue	383.7	386.7	371.1	371.6	342.8	384.2	388.1	404.8
Net revenue	310.9	314.5	303.8	296.8	274.8	306.7	318.1	343.3
Net income (loss)	25.1	32.1	22.7	13.7	22.9	(10.0)	22.3	20.7
EPS – basic	0.55	0.70	0.50	0.30	0.50	(0.22)	0.49	0.45
EPS – diluted	0.55	0.70	0.49	0.30	0.50	(0.22)	0.49	0.45

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

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

Gross Revenue *(In millions of Canadian dollars)*	**Q4 10 vs. Q4 09**	**Q3 10 vs. Q3 09**	**Q2 10 vs. Q2 09**	**Q1 10 vs. Q1 09**
Increase (decrease) in gross revenue due to:				
Acquisition growth	33.2	19.4	6.8	5.8
Increase (decrease) in organic growth	13.5	(8.8)	(5.4)	(8.6)
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(5.8)	(8.1)	(18.4)	(30.4)
Total net increase (decrease) in gross revenue	40.9	2.5	(17.0)	(33.2)

During Q1 10, our gross revenue decreased by $33.2 million, or 8.2%, to $371.6 million compared to $404.8 million in the same period in 2009. Approximately $8.6 million of this decrease resulted from a decline in revenue from organic growth and a $30.4 million foreign exchange impact—due to the strengthening of the Canadian dollar during Q1 10—partially offset by a $5.8 million increase in revenue from acquisitions completed in 2009 and 2010. Net income for Q1 10 decreased by $7.0 million, or 33.8%, from the same period in 2009, and diluted earnings per share for Q1 10 decreased by $0.15, or 33.3%, compared to Q1 09. During Q1 10, we reorganized our corporate tax structure, which increased our income tax expense by $6.2 million, resulting in a negative impact on our net income and earnings per share. Without this one-time impa ct, our net income for Q1 10 would have been $19.9 million, and our diluted earnings per share would have been $0.43. Our Q1 10 results were also negatively impacted by a decrease in gross margin from 56.4% in Q1 09 to 55.5% in Q1 10 mainly due to competitive pressures to reduce project fees; larger, multiyear contracts; and the nature of projects in progress during the quarter. Our Q1 10 results were positively impacted by a decrease in administrative and marketing expenses as a percentage of net revenue from 43.1% to 42.2% and a decrease in interest expense of $1.7 million.

During Q2 10, our gross revenue decreased by $17.0 million, or 4.4%, to $371.1 million compared to $388.1 million in the same period in 2009. Approximately $5.4 million of this decrease resulted from a decline in revenue from organic growth and an $18.4 million foreign exchange impact—due to the strengthening of the Canadian dollar during Q2 10—partially offset by a $6.8 million increase in revenue from acquisitions completed in 2009 and 2010. Net income for Q2 10 increased by $0.4 million, or 1.8%, from the same period in 2009, and diluted earnings per share remained stable from Q2 09 to Q2 10 at $0.49. Our Q2 10 results were negatively impacted by the decline in gross revenue partially due to foreign exchange fluctuation and a slower than anticipated economic recovery in the United States. Net income in Q2 10 was also positi vely impacted by a reduction in our administrative and marketing expenses as a percentage of net revenue from 41.3% in Q2 09 to 41.1% in Q2 10. This decrease was primarily due to operating more efficiently, carrying out fewer integration activities, and having fewer one-time costs associated with severances and the downsizing of certain operations in Q2 10 compared to Q2 09. In addition, our interest expense decreased by $0.7 million as a result of having less long-term debt throughout Q2 10 compared to Q2 09.

During Q3 10, our gross revenue increased by $2.5 million, or 0.7%, to $386.7 million compared to $384.2 million for the same period in 2009. Approximately $19.4 million of this increase resulted from acquisitions completed in 2009 and 2010 offset by an $8.1 million foreign exchange impact—due to the strengthening of the Canadian dollar during Q3 10 compared to Q3 09—and an $8.8 million decline in organic growth. Our net income increased to $32.1 million in Q3 10 from a loss of $10.0 million in Q3 09, and our basic and diluted earnings per share increased to $0.70 in Q3 10 from ($0.22) in Q3 09. Our Q3 10 results were negatively impacted by a slight decrease in gross margin as a percentage of net revenue from 56.5% to 56.2%. Our results were positively impacted by a decrease in our administrative and marketing expenses as a pe rcentage of net revenue from 41.3% to 40.8% mainly due to operating more efficiently and improving cost management. Our Q3 10 net income and earnings per share were also positively impacted by a $5.9 million after-tax gain on the sale of equity investments. The results for Q3 09 were impacted by a $35.0 million non-cash goodwill impairment charge. Excluding the gain on the sale of equity investments in Q3 10 and the goodwill impairment charge in Q3 09, net income increased 4.8% to $26.2 million in Q3 10 from $25.0 million in Q3 09, and diluted earnings per share increased 3.6% to $0.57 in Q3 10 from $0.55 in Q3 09.

During Q4 10, our gross revenue increased by $40.9 million, or 11.9%, to $383.7 million compared to $342.8 million for the same period in 2009. Approximately $33.2 million of this increase resulted from an increase in revenue from acquisitions completed in 2010 and 2009, and $13.5 million resulted from organic growth. These increases were partially offset by a $5.8 million foreign exchange impact due to the strengthening of the Canadian dollar during Q4 10. Net income for Q4 10 increased by $2.2 million, or 9.6%, from the same period in 2009, and diluted earnings per share for Q4 10 increased by $0.05, or 10.0%, compared to Q4 09. Net income during Q4 10 was positively impacted by the increase in gross revenue and an increase in gross margin as a percentage of net revenue from 56.7% in Q4 09 to 57.1% in Q4 10. Net income in Q4 10 was nega tively impacted by an increase in our administrative and marketing expenses as a percentage of net revenue from 41.1% in Q4 09 to 42.6% in Q4 10. This increase was primarily due to an increase in administrative and marketing labor as a percentage of net revenue. Staff time charged to marketing and administrative labor may fluctuate from quarter to quarter because it is influenced by the mix of projects in progress and being pursued during the period, as well as by acquisition integration activities. In Q4 10, we were in the process of integrating the eight acquisitions completed during the second half of 2010.

Liquidity and Capital Resources

The following table represents summarized working capital information as at December 31, 2010, compared to December 31, 2009:

(In millions of Canadian dollars, except ratio)	**Dec 31, 2010**	**Dec 31, 2009**	**Change**
Current assets	504.5	409.3	95.2
Current liabilities	(331.3)	(283.8)	(47.5)
Working capital *(note 1)*	173.2	125.5	47.7
Current ratio *(note 1)*	1.52	1.44	n/a

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

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

(In millions of Canadian dollars)	**2010**	**2009**	**2008**	**$ Change 2010 vs. 2009**	**$ Change 2009 vs. 2008**
Cash flows from operating activities	114.8	100.0	160.0	14.8	(60.0)
Cash flows used in investing activities	(91.6)	(103.2)	(127.7)	11.6	24.5
Cash flows from (used in) financing activities	26.4	(84.1)	53.8	110.5	(137.9)

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

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

We continue to manage our capital structure according to the internal guideline established in our 2009 Financial Review of maintaining a net debt to equity ratio of less than 0.5 to 1.0. Our net debt to equity ratio, a non-GAAP measure, is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash, divided by (2) shareholders' equity. At December 31, 2010, our net debt to equity ratio was 0.41 to 1.0. Going forward, there may be occasions when we exceed our target by completing opportune acquisitions that increase our debt level above the target for a period of time.

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

Working Capital
Our working capital (current assets less current liabilities) at the end of 2010 was $173.2 million compared to $125.5 million in 2009. Current assets increased by $95.2 million, and current liabilities increased by $47.5 million. The increase in current assets was mainly due to a $48.0 million increase in cash and cash equivalents and a $44.6 million increase in accounts receivable and in costs and estimated earnings in excess of billings. These increases resulted from growth from acquisitions during the year. As well, cash and cash equivalents increased because cash was being held at December 31, 2010, for the payment of notes payable from acquisitions that were due in early January 2011.

The $47.5 million increase in current liabilities from 2009 to 2010 was mainly due to a $24.9 million increase in accounts payable and accrued liabilities, because of higher payroll accruals from an increase in staff numbers, and accounts payable and accrued liabilities assumed from acquired companies. Our current portion of long-term debt also increased by $11.8 million from 2009 to 2010 because of notes payable related to past acquisitions becoming due in 2011.

In 2010, our current ratio increased to 1.52 from 1.44 in 2009 due to the increase in cash and cash equivalents, accounts payable and accrued liabilities, and the current portion of long-term debt as explained above.

Cash Flows From Operating Activities
Our cash flows from operating activities were $114.8 million in 2010 compared to $100.0 million in 2009 and $160.0 million in 2008. Our cash flows from operating activities are impacted by the timing of payroll and acquisitions—in particular, the timing of payments of acquired accounts payable and accrued liabilities, including employee annual bonuses. The $14.8 million increase in cash flows from operating activities for 2010 compared to 2009 was a result of the following:

- Our cash paid to suppliers was lower in 2010 because of the higher than normal trade payables and accrued liabilities assumed on the Jacques Whitford acquisition in 2009.

- Our cash paid to employees was lower in 2010 due to the payment of higher acquired bonuses and severances in 2009.

- Our income taxes paid, net of income taxes recovered, decreased in 2010 due to lower income tax installments.

The above was partially offset by a decrease in our receipts from clients due to the retraction of our business in 2009, especially during the second half of the year, which carried over into 2010. As well, our investment in costs and estimated earnings in excess of billings and accounts receivable increased to 86 days at the end of December 31, 2010, from 81 days at December 31, 2009.

The $60.0 million decrease in cash flows from operating activities in 2009 compared to 2008 was due to an increase in cash paid to suppliers and employees. In 2009, our cash paid to suppliers was higher due primarily to the payment of higher than normal acquired trade payables and accrued liabilities from the Jacques Whitford acquisition. Our cash paid to employees was higher in 2009 compared to 2008 due primarily to the payment of acquired bonuses and severances as well as one week of additional payroll.

Cash Flows Used In Investing Activities
Our cash flows used in investing activities were $91.6 million in 2010 compared to $103.2 million in 2009 and $127.7 million in 2008. In 2010, we used $67.0 million for the 10 acquisitions completed during the year compared to using $73.1 million for the acquisitions of Jacques Whitford and Granary in 2009 and using $92.1 million to finance 5 acquisitions completed in 2008. Our 2010 use of cash flows for investing activities was

partially offset by $10.0 million in proceeds received from the sale of our 30% equity investments in Fugro Jacques Geosurveys Inc. and Fugro Jacques N.V.

As a professional services organization, we are not capital intensive. In the past, we have made capital expenditures primarily for items such as leasehold improvements, computer equipment, furniture, and other office and field equipment. Our cash outflows for property and equipment and software were $29.0 million, $20.4 million, and $35.6 million in 2010, 2009, and 2008, respectively. The increase in 2010 compared to 2009 was mainly due to making network additions as we prepare to enhance our information technology systems. One factor that contributed to higher investment activities in 2008 was the $8.0 million spent for improvements made to our Markham and Toronto, Ontario, offices to accommodate office consolidations and to our Edmonton, Alberta, office to accommodate growth.& #160;Our capital expenditures during 2010 were financed by cash flows from operations. We expect our total capital and software expenditures in 2011 to be in the range of $32 to $34 million, excluding capital assets acquired from acquisitions. In 2011, we plan to invest in enhancements to our business information systems to optimize and streamline our business processes and prepare for continued growth.

Cash Flows From (Used In) Financing Activities
Our cash flows from financing activities were $26.4 million in 2010 compared to cash flows used in financing activities of $84.1 million in 2009 and cash flows from financing activities of $53.8 million in 2008. In 2010, we generated sufficient cash from operations to repay $183.3 million of our revolving credit facility, acquired debt from acquisitions, and notes payable due from acquisitions and used $216.9 million of the credit facility, in part to pay employee bonuses, accounts payable, income taxes, and notes payable and to fund the 10 acquisitions completed in the year. As well, we used $4.9 million to repurchase shares under our normal course issuer bid in 2010. The above use of cash was offset by $3.0 million generated from options exercised during the year. At December 31, 2010, $123.3 million of our $350 million credit facility was available for future use.

In 2009, we generated sufficient cash from operations to repay $152.5 million of our revolving credit facility and acquired debt from acquisitions and used $68.8 million of the facility, in part to pay accounts payable, employee bonuses, and notes payable due from acquisitions. The above use of cash was offset by $2.3 million generated from options exercised during the year. At December 31, 2009, $163.4 million of our $300 million credit facility was available for future use.

During the year, we reached an agreement to increase the limit of our existing revolving credit facility from $300 million to $350 million and extended its maturity date to August 2013. This agreement also allows us access to an additional $75 million under the same terms and conditions on approval from our lenders. Our credit facility is available for acquisitions, working capital needs, and general corporate purposes. Depending on the form under which the credit facility is accessed, rates of interest may vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates, plus specified basis points. The specified basis points may vary, depending on our level of consolidated debt to EBITDA, from 100 to 225 for Canadian prime and US base rate loans and from 200 to 325 for bankers' acceptances, LIBOR loans, and l etters of credit. 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 our debt obligation. In particular, at each quarter-end, we must satisfy the following: 1) our EBITDAR to debt service ratio must not be less than 1.25 to 1.0 at any time and 2) our consolidated debt to EBITDA ratio must not exceed 2.5 to 1.0 at any time, except in the case of a material acquisition, when our consolidated debt to EBITDA ratio must not exceed 3.0 to 1.0 for a period of two complete quarters following the acquisition. These EBITDA and EBITDAR to debt service ratios are defined in the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this report. We were in compliance with all the covenants under this agreement as at and throughout the year ended December 31, 2010.

Shareholders' Equity

Our shareholders' equity increased by $78.1 million in 2010 and by $8.4 million in 2009. The following table summarizes the reasons for these increases:

(In millions of Canadian dollars)	**2010**	**2009**
Beginning shareholders' equity	547.4	539.0
Net income for the year	93.6	55.9
Currency translation adjustments	(19.0)	(57.2)
Unrealized gain on financial assets	1.6	2.7
Unrealized gain on cash flow hedge	1.5	1.4
Recognition of fair value of stock-based compensation	1.9	3.0
Share options exercised for cash	3.0	2.3
Shares repurchased under normal course issuer bid	(4.9)	-
Other	0.4	0.3
Total change	78.1	8.4
Ending shareholders' equity	625.5	547.4

The change arising on the translation of our US-based subsidiaries in 2010 was a $19.0 million loss compared to a $57.2 million loss in 2009. The change in 2010 was due to the strengthening of the Canadian dollar—from US$0.95 to US$1.01—during the year. In 2009, the Canadian dollar strengthened from US$0.82 to US$0.95 at the end of the year.

In 2008, we minimized our exposure to floating rates of interest on US$100 million of our revolving credit facility by entering into an interest rate swap agreement as described in the Net Interest Expense section above. This swap agreement ended September 3, 2010. We designated the interest rate swap as a cash flow hedge against US$100 million of our credit facility. Since the hedge met the accounting criteria for effectiveness during its life, we recorded any fair value gains or losses during its life in other comprehensive income. The fair value of the interest rate swap was estimated using market rates and resulted in a $1.5 million gain during 2010 and a $1.4 million gain during 2009.

We hold investments for self-insured liabilities consisting of government and corporate bonds and equity securities. These investments are classified as available for sale and are stated at fair value with the unrecognized gain or loss recorded in other comprehensive income. The change in the fair value of these investments was a $1.6 million gain in 2010 and a $2.7 million gain in 2009.

From time to time, our board of directors grants share options as part of our incentive programs. No share options were granted in 2010 and 2009. In 2008, our board granted 480,000 stock options to various officers and employees of the Company. These options vest equally over a three-year period and have a contractual life of seven years from the grant date. Share options exercised in 2010 generated $3.0 million in cash compared to generating $2.3 million in 2009.

Our normal course issuer bid on the TSX was renewed in 2010 and allows us to repurchase up to 2,287,166 of our common shares during the period of June 1, 2010, to May 31, 2011. 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 2010, we purchased 198,300 common shares at an average price of $24.64 per

share for an aggregate price of $4.9 million. In 2009, we did not purchase any common shares. In 2010 and 2009, we did not issue any shares as consideration for an acquisition.

Other

Outstanding Share Data
At December 31, 2010, there were 45,768,320 common shares and 1,480,831 share options outstanding. During the period of December 31, 2010, to February 24, 2011, no shares were repurchased under our normal course issuer bid, 410,000 share options were granted, 15,332 share options were exercised, 834 share options were forfeited, and 5,832 share options were cancelled. At February 24, 2011, there were 45,783,652 common shares and 1,868,833 share options outstanding.

Contractual Obligations
As part of our continuing operations, we enter into long-term contractual arrangements from time to time. The following table summarizes the contractual obligations due on our long-term debt, operating and capital lease commitments, purchase and service obligations, and other liabilities as of December 31, 2010:

Contractual Obligations	**Payment Due by Period**				
(In millions of Canadian dollars)	**Total**	**Less than 1 Year**	**1–3 Years**	**4–5 Years**	**After 5 Years**
Long-term debt	306.8	42.3	264.0	0.1	0.4
Interest on debt	19.7	8.4	11.3	-	-
Operating lease commitments	450.6	74.1	128.2	99.8	148.4
Capital lease commitments	9.7	4.9	4.8	-	-
Purchase and service obligations	17.6	7.7	9.7	0.2	-
Other liabilities	9.4	3.6	0.7	0.7	4.4
Total contractual obligations	813.8	141.0	418.7	100.8	153.2

For further information regarding the nature and repayment terms of our long-term debt and capital lease obligations, refer to the Cash Flows From Financing Activities section and notes 8 and 11 in our audited consolidated financial statements for the year ended December 31, 2010. Our operating lease commitments include obligations under office space rental agreements, and our purchase and service obligations include agreements to purchase future goods and services that are enforceable and legally binding. Our other liabilities include amounts payable under our deferred share unit plan and a commitment to purchase the non-controlling interests of The National Testing Laboratories Limited over a period ending in 2014. Failure to meet the terms of our operating lease commitments may constitute a default, potentially resulting in a leas e termination payment, accelerated payments, or a penalty as detailed in each lease agreement.

Off-Balance Sheet Arrangements
As of December 31, 2010, we had off-balance sheet financial arrangements relating to letters of credit in the amount of $6.6 million that expire at various dates before January 2012. These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations. We also have a surety facility to facilitate, as part of the normal course of operations, the issuance of bonds for certain types of project work. As at December 31, 2010, $11.5 million in bonds were issued under this agreement.

During 2009, we issued a guarantee up to a maximum of US$60.0 million for project work with the US federal government. If the guarantee is exercised, we have recourse to its insurers, subject to certain deductibles, policy terms, and limits, to recover claims costs and damages arising from errors or omissions in professional services.

This guarantee remained outstanding in 2010; however, we have not made any payments under it, and no amounts have been accrued in our audited consolidated financial statements with respect to it.

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

Financial Instruments and Market Risk

Fair value. As at December 31, 2010, we value and record our financial instruments as follows:

- Cash and cash equivalents are classified as financial assets held for trading and are recorded at fair value, with realized and unrealized gains and losses reported in income.
- Accounts receivable are classified as receivables and are initially accounted for at fair value and subsequently adjusted for any allowance for doubtful accounts, with realized gains and losses reported in income.
- Investments held for self-insured liabilities are classified as financial assets available for sale and are recorded at fair value, with accumulated unrealized gains and losses reported in other comprehensive income until disposed of, at which time the realized gains and losses are recognized in income.
- Accounts payable and accrued liabilities, bank indebtedness, and long-term debt are classified as other financial liabilities and are initially recorded at fair value and subsequently recorded at amortized cost using the effective interest rate method, with realized gains and losses reported in income.
- Derivative other assets and liabilities are classified as held for trading and are accounted for at fair value, with realized and unrealized gains and losses reported in income unless the derivative qualifies and is designated as an effective cash flow hedge, in which case unrealized gains and losses are recorded in other comprehensive income.

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, 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 their fair value because the applicable interest rate is based on variable reference rates.

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

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

- A significant portion of our revenue and expenses is generated or incurred in US dollars; therefore, we are exposed to fluctuations in exchange rates. To the extent that US-dollar revenues are greater than US-dollar expenses in a strengthening US-dollar environment, we expect to see a positive impact on our income from operations. Conversely, to the extent that US-dollar revenues are greater than US-dollar expenses in a weakening US-dollar environment, we expect to see a negative impact. This exchange rate risk primarily reflects, on an annual basis, the impact of fluctuating exchange rates on the net difference between total US-dollar professional revenue and US-dollar expenses. Other exchange rate

risk arises from the revenue and expenses generated or incurred by subsidiaries located outside Canada and the United States. Our income from operations will be impacted by exchange rate fluctuations used in translating these revenues and expenses. We do not hedge for this foreign exchange translation risk.

- Foreign exchange fluctuations may also arise on the translation of the balance sheet of (net investment in) our US-based subsidiaries and are recorded as currency translation adjustments in other comprehensive income. We do not hedge for this foreign exchange translation risk.

- Foreign exchange gains or losses arise on the translation of foreign-denominated assets and liabilities (such as accounts receivable, accounts payable and accrued liabilities, and long-term debt) held in our Canadian operations and non-US-based foreign subsidiaries. We minimize our exposure to foreign exchange fluctuations on these items by matching US-dollar liabilities and, when appropriate, by entering into forward contracts to buy or sell US dollars in exchange for Canadian dollars.

Although we may buy or sell US dollars in exchange for Canadian dollars in accordance with our foreign exchange risk mitigation strategy, on occasion we may have a net exposure to foreign exchange fluctuations because of the timing of the recognition and relief of foreign-denominated assets and liabilities. At December 31, 2010, due to a slight net exposure, a $0.01 increase or decrease in the US- to Canadian-dollar exchange rate, with all other variables held constant, would have had an immaterial impact on our net income for the year.

Interest Rate. Changes in interest rates also present a risk to our performance. Our credit facility carries a floating rate of interest. In addition, we are subject to interest rate pricing risk to the extent that our investments held for self-insured liabilities contain fixed-rate government and corporate bonds. In 2008, we minimized our exposure to floating rates of interest by entering into an interest rate swap agreement until September 3, 2010, as explained in the Net Interest Expense section above. We estimate that, based on our loan balance at December 31, 2010, a 0.5% increase in interest rates, with all other variables held constant, would have impacted our basic earnings per share by approxima tely $0.02 for the year.

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
Gross margin as % of net revenue	Between 54.5 and 56.5%
Administrative and marketing expenses as % of net revenue	Between 41 and 43%
Net income as % of net revenue	At or above 6%
Effective income tax rate	At or below 28.5%
Return on equity *(note 1)*	At or above 14%
Net debt to equity ratio *(note 2)*	At or below 0.5 to 1

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

We revised our target for our effective income tax rate from between 32.5 and 34.5% in 2010 to at or below 28.5% in 2011. In 2010, our targeted income tax rate was impacted by the planned reorganization of our corporate structure. In estimating our 2010 effective tax rate, we eliminated this impact and considered the impact of a reduced statutory tax rate in Canada as well as the jurisdiction of our anticipated earnings.

Overall, fluctuations in our actual performance occur due to the particular client and project mix achieved as well as the number of acquisitions completed in a year. Some targets, such as net debt to 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 is diverse, consisting of many technical disciplines, practice areas, client types, and industries in both the private and public sectors. In our principal area of operation, North America, our addressable market is large and is estimated to generate approximately US$80 billion in revenue. In 2010, we expanded geographically beyond this market by acquiring office locations in the United Kingdom, the United Arab Emirates, and India. This initial international expansion complements our existing international presence in the Caribbean, Latin America, and Qatar.

In 2011, we expect the overall outlook for professional services in our key markets and practice areas in North America to remain stable as the economy improves and we continue to build a top-tier position in the United States. In addition, we expect that alternate project delivery, including P3s, will continue to be strong in Canada and may present emerging opportunities in the US market. Our overall outlook for our international operations is also stable since we expect that geographic areas with a stronger economic forecast will compensate for those with a weaker forecast. We base these expectations on a variety of factors, including the material factors described below.

Canada
The outlook for Canada in 2011 is a moderate rebound. Since the business community and the public remain only cautiously optimistic about economic recovery, this modest growth will depend on private business activity continuing to increase along with household spending and consumer confidence. This cautious optimism is supported by a sustained improvement in credit conditions, along with relatively low financing rates, which should provide easier access to capital for investment in infrastructure. According to the Bank of Canada, real gross domestic product (GDP) is projected to grow 2.4% in 2011. The following factors are evidence for our Canadian outlook in areas that directly impact infrastructure spending.

- Real GDP is expected to rebound in Canada and the United States with demand from private business replacing the government stimulus and temporary factors that largely ran their course in 2010. Since optimism is cautious, any shock to the projected recovery, including increased interest rates, may erode rising business and consumer confidence.

- The Bank of Canada overnight rate target is currently at 1.0% and is expected to gradually increase in line with modest growth or any mounting inflationary pressure.

- Partly due to the large price appreciation for metals to date, the World Bank predicts moderate price increases over the next year. This forecast, along with projections for an increase in energy prices by the Energy Information Administration, suggests that interest in large capital projects will rise as firms manage spending in accordance with market risk.

- The deep deficits of federal and provincial governments have forced a rebalancing of the books in some jurisdictions. These deficits are likely to affect public infrastructure spending, although both the impact and timing remain uncertain.

- Strength in the Canadian dollar is working to slow growth and could continue to offset favorable developments in 2010. The Bank of Canada estimates a Canada/US exchange rate averaging $0.98, a slight increase from the average exchange rate of $0.96 in 2010.

- The public continues to be conscious of environmental issues and governments continue to discuss climate change, although little movement is expected in the regulatory realm over the short term. Still, increased awareness has numerous impacts, including interest in pursuing sustainable design and development, improving water distribution and treatment, and reducing the ecological footprint of industrial activity.

- Housing prices in 2011 are expected to increase slightly. The Canadian Mortgage and Housing Corporation suggests that housing starts have moderated from their strong pace at the beginning of 2010 and sets a lower expectation of 177,600 housing starts for 2011.

United States

The outlook for the United States in 2011 is flat to a moderate increase compared to 2010. According to projections from the Congressional Budget Office, the recovery from the economic downturn will continue at a modest pace during the next few years, beginning with a real GDP growth of 3.1% in 2011. The following factors related to infrastructure support this outlook:

- Housing activity in the United States is expected to increase in 2011 with the seasonally adjusted annual rate recovering to 555,000 from 472,000 in 2010. In the most recent months, the architectural billings index from the American Institute of Architects reported at or above 50.0, suggesting an increase in demand for design services.

- According to the Congressional Budget Office, the US deficit will remain slightly below 10% of GDP in 2011. States and municipalities are also experiencing fiscal revenue pressures. Adjustments to rebalance the books and reduce federal and state deficits may impact public infrastructure spending.

- A continuing weak US dollar may impact the balance of trade and deficit; however, if economic recovery ensues as predicted, a rising dollar may further increase spending pressures.

- Elections in the United States in late 2010 shifted the political environment and created some legislative uncertainty relating to the transportation and healthcare sectors. Continued delays in the replacement of long-term transportation legislation may affect some planned transportation projects, and increased utilization by newly insured Americans is likely to create the need for rehabilitation or construction of healthcare-related infrastructure. Any spending on health-related infrastructure may create additional market opportunities.

- Environmental issues continue to be a focus after several highly visible disasters in key sectors. Although the timing is uncertain, regulatory and permitting changes for the energy industry are likely. However, shifts in the political environment in 2010 mean that changes in regulation related to climate change may lessen in priority and

are unlikely in 2011. This creates stability in some previously stalled sectors and forfeits opportunity in other sectors.

International
The outlook for our international operations is stable compared to 2010. These operations currently comprise a small percentage of our business, with the majority falling within our Buildings practice area. We are also active in the international mining sector. We expect that strong performance in some geographic areas will compensate for weaker performance in other areas. The following factors support this outlook:

- Public and private sector spending has been impacted globally by the economic slowdown. In the United Kingdom, the new coalition government announced spending cuts that have resulted in the delay of various projects and may impact project opportunities in 2011. The World Bank forecast for the United Kingdom is a GDP growth of 2.2%.

- According to the World Bank, India was less impacted by the economic crisis than the global community, and the Middle East showed tentative signs of recovery in 2010. For 2011, the World Bank forecasts GDP growth of 8.4% for India, 4.3% for the Middle East and North Africa region, and 4.0% for Latin America and the Caribbean region.

Overall Outlook
We believe that our overall outlook for 2011 is a moderate increase in organic revenue, with a targeted 2.0 to 3.0% increase compared to 2010, focused in regions and practice areas where we are a top-tier service provider. Although the difficult economic environment of the past year appears to be slowly improving, related pressures, such as increased competition, margin compressions, project delays, and fiscal rebalancing, are not expected to subside immediately. Due to the diversity of our operations, the mixture of our clients, and the flexibility of our organization, we believe that we will continue to operate our business efficiently, to adapt our business to changing economic conditions, and to position ourselves for growth in a very large infrastructure and facilities market.

Outlooks for each of our practice areas for 2011 can be found in the Results section of this Management's Discussion and Analysis. The outlooks for our Buildings and Urban Land practice areas are stable, the outlooks for our Transportation and Environment practice areas are stable to moderate organic growth, and the outlook for our Industrial practice area is moderate organic growth. In establishing our outlook for our Buildings practice area, we assumed that growth from the acquisitions completed in 2010 will be tempered by softened economic conditions in British Columbia, California, and the United Kingdom. In Canada, we expect to continue to secure P3 opportunities and to leverage our design and buildings engineering expertise to increase the scope and size of our work in the United States and internationally. We developed the ou tlook for our Environment practice area assuming that our size, presence, and reputation in the environmental market will continue to increase our share of larger, long-term projects with national and international scope. As well, we expect that water-related services and spending by our energy sector clients will be driven by a more stringent regulatory environment. In outlining our outlook for the Industrial practice area, we assumed that commodity prices will moderate and that activity will be strong in the mining and resource sectors. In establishing our outlook for the Transportation practice area, we assumed that P3 projects will continue to provide a potential stream of work in Canada and that our rail and transit groups will maintain their current activity levels. We also assumed that decreasing tax revenues, efforts to reduce state and provincial deficits, and continued uncertainty in the United States about long-term funding may cause delays in some planned transportation projects moving forward. F inally, we outlined our outlook for the Urban Land practice area with the assumption that there would be stability in the Canadian and US residential sectors.

Going forward, we target to achieve a long-term average annual compound growth rate for gross revenue of 15%—a target we have realized since our initial public offering in 1994. Continued growth allows us to enhance

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

In establishing our operating budgets for 2011, we assumed that the Canadian dollar would remain stable compared to the US dollar throughout the year. As well, we assumed that the average interest rate would increase incrementally in 2011. In establishing our effective income tax rate, we consider the tax rates substantially enacted at December 31, 2010, for the countries in which we operate, primarily Canada and the United States. We expect to support our targeted level of growth using a combination of cash flows from operations and borrowings. Under certain market conditions, we will also consider issuing common shares.

CRITICAL ACCOUNTING ESTIMATES, DEVELOPMENTS, AND MEASURES

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with Canadian GAAP, which require us to make various estimates and assumptions. The notes to our December 31, 2010, 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 on 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 will have over- or underrecognized revenue for the prev ious 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 costs and estimated earnings in excess of billings.

Goodwill
Goodwill is assessed for impairment on July 1 of each fiscal year. In addition to completing our annual test, we regularly evaluate whether events and circumstances have occurred between annual tests that may indicate a possible impairment of goodwill.

Goodwill impairment testing is a two-step process. In the first step, to evaluate whether there is an impairment of goodwill, we calculate the estimated fair value of our reporting units using a methodology that considers market information and projections of our after-tax cash flows, referred to as the income approach. If we determine that the estimated fair value of a reporting unit is less than its carrying value, goodwill is potentially impaired and step two of the impairment test is performed. In step two, we compare the estimated fair value of the goodwill of our reporting units to their carrying value. We calculate this impairment by considering the cash flows and the fair values of the net tangible and intangible assets. Our reporting units are defined as Canada West, Canada East, the US West, and the US East. Our reporting units are determined based on the way management organizes the Company for making operating decisions and assessing performance. We allocate our goodwill to these geographic areas. We do not monitor or allocate goodwill to our practice areas.

The methodology we use to test for goodwill impairment includes significant judgments, estimates, and assumptions. The income approach uses a reporting unit's projection of estimated operating results and discounted cash flows based on a discounted rate that reflects current market conditions. To arrive at cash flow projections, we use estimates of economic and market information over the projection period, including growth rates in revenues, costs, estimates of future expected changes in operating margins, and cash expenditures. Other significant estimates and assumptions included terminal growth rates, future estimates of capital expenditures, income taxes, and changes in future working capital requirements. We believe that our methodology provides us with a reasonable basis for determining whether an impairment charge should be t aken. Note 4 in our 2010 audited consolidated financial statements provide more detail about our goodwill impairment test.

During the third quarter of 2010, based on the results of the annual impairment test, we concluded that the fair value of our four reporting units exceeded their carrying value and, therefore, goodwill was not impaired. Due to fluctuations in the market and uncertainties arising from overall economic conditions in 2009 and 2008, our annual impairment review resulted in an impairment charge of $35.0 million in the third quarter of 2009 and of $53.0 million in the third quarter of 2008. These charges were allocated to our US West reporting unit in 2009 and to our US West and US East reporting units in 2008 and are reflected as a non-cash charge to income.

If market and economic conditions deteriorate or if volatility in the financial markets causes declines in our stock price, increases our weighted-average cost of capital, changes valuation multiples, or changes other inputs to our goodwill assessment, our goodwill may require testing for impairment between our annual testing periods. In addition, it is reasonably possible that changes in the numerous variables associated with the judgments, assumptions, and estimates we made in assessing the fair value of our goodwill could cause our reporting units to be impaired, which would decrease our goodwill assets and increase our reported expenses. Goodwill impairment charges are non-cash charges that could have a material adverse affect on our consolidated financial statements but would not, in themselves, have any adverse effect on our liquidi ty, cash flows from operating activities, or debt covenants and will not have an impact on future operations.

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 possibl e 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 lives of assets.

Based on the results of our review, during the second quarter of 2010 we recorded a $1.8 million non-cash impairment charge to income related to certain client relationships and a lease advantage. As part of the impairment review, we update future cash flow assumptions and estimates, including factors such as current and future contracts with clients, margins, market conditions, and the useful lives of assets. The $1.8 million impairment primarily reflected a decline in expected future cash flows from these clients and a reduction in the value of a favorable lease in our New York, New York, office. The remaining carrying value of these specific client relationships, following this impairment charge, was $947,000. The carrying value of the favorable lease was reduced to zero.

Based on the results of our review during 2009, we concluded that there was no impairment to intangible assets in 2009. Based on the results of our 2008 review, we concluded that the intangible assets relating to client relationships acquired in The Keith Companies, Inc. acquisition in 2005 were not fully recoverable and, therefore, recorded a non-cash $5.4 million impairment charge to income. As part of the impairment review, we updated our future cash flow assumptions and estimates, including factors such as current and future contracts with clients, margins, market conditions, and the useful lives of assets. The remaining carrying value of these client relationships after this impairment charge was $6.0 million at December 31, 2008.

It is reasonably possible that changes in the numerous variables associated with the judgments, assumptions, and estimates we made in assessing the fair value of our long-lived assets and intangible assets could cause these assets to be further impaired, which would decrease our long-lived and intangible assets and increase our reported expenses. These impairments are non-cash charges that could have a material adverse affect on our

consolidated financial statements but would not have any adverse effect on our liquidity, cash flows from operating activities, or debt covenants and will not have an impact on future operations.

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 and on the timin g of the change in estimate.

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 (i.e., backlog and client relationships) 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 to the carrying value of the related assets and liabilities a cquired may impact our net income in future periods. We are currently in the process of finalizing the purchase price allocations for Tetr*ES,* IEA, WilsonMiller, NRC, CommArts, ECO:LOGIC, Anshen + Allen, Street Smarts, and Burt Hill.

Accounting Developments

Canadian

Recent Accounting Pronouncements

International Financial Reporting Standards. The CICA will transition Canadian GAAP for public entities to IFRS for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. As a result, we will prepare our consolidated financial statements in accordance with IFRS for our 2011 fiscal year beginning January 1, 2011, and include comparative figures for our 2010 fiscal year. IFRS uses a conceptual framework similar to that used by Canadian GAAP, but there are differences in recognition, measurement, and disclosure.

a) Project Management and Status
We started our IFRS conversion project in 2008. This project consists of five phases: 1) preliminary planning and scoping, 2) detailed assessment, 3) solution development, 4) implementation, and 5) postimplementation review. We have completed the preliminary planning and scoping, detailed assessment, and solution development phases. For a summary of the key activities, milestones, and deliverables for these phases, refer to our Management's Discussion and Analysis for the year ended December 31, 2009, under the Accounting Developments, Canadian, Recent Accounting Pronouncements, International Financial Reporting Standards section. We are now working on the implementation phase, which we expect to complete by the first quarter of 2011. The fifth and final phase, postimplementation review, will commence in the second quarter of 2011. To date, we are on target with the timeline established in our detailed work plan. We expect to file our first quarter financial statements under IFRS within the required time frame.

In the implementation phase, we are making changes to certain processes to enable the recording of transactions under IFRS. We have provided, for review, a draft of our January 1, 2010, opening statement of financial position in accordance with IFRS to our external auditors and Audit and Risk Committee. The following outlines our

preliminary assessment of the impact of adopting IFRS on our January 1, 2010, transition date. We are now in the process of finalizing IFRS-compliant information for comparative reporting purposes in 2011 as well as our assessment of the impact IFRS will have on our business activities as described below. We completed our IFRS training for key financial staff impacted by IFRS, and we continue to provide training and information to our Audit and Risk Committee and board of directors. We also continue to deliver our communication plan, informing key internal and external stakeholders about the anticipated effects of the IFRS transition, and to provide status updates to the Audit and Risk Committee.

While completing the above phases, we assessed the impact IFRS will have on our Internal Controls over Financial Reporting (ICFR), Disclosure Controls and Procedures (DC&P), Information Technology (IT) systems, and business activities as follows:

- ICFR and DC&P. We expect minimal changes to our ICFR and DC&P. We are in the process of reviewing our internal controls regarding the IFRS changeover plan for the accumulation of 2010 comparative figures under IFRS and the changeover process in 2011. On completing our review, we will make a final assessment to determine changes required for ICFR.

- IT systems. We have concluded that there will be minimal changes to our IT systems.

- Business activities. During the implementation phase, we will finalize our assessment of the impact that IFRS will have on our key performance indicators. Minimal changes are required to align our budgeting and forecasting processes and presentation for IFRS requirements. We have concluded that there will be minimal impact to our debt covenants and compensation plans.

b) Accounting Policies and Statement Presentation
Set out below are the key areas where changes in accounting policies are expected that may impact our audited consolidated financial statements. This list, and these comments, should not be regarded as a complete account of changes that will result from the IFRS transition. It is intended to highlight those areas we believe to be the most significant; however, changes to other areas have been identified. The differences described below are those existing based on Canadian GAAP and IFRS today. We continue to monitor standard developments issued by the International Accounting Standards Board and regulatory developments issued by the Canadian Securities Administrators that may affect the timing, nature, or disclosure of our adoption of IFRS. Consequently, the following is a preliminary analysis of the impacts of conversion on our consolidat ed opening statement of financial position. Circumstances may arise, such as changes in IFRS standards or in interpretations of IFRS standards, which could alter this information.

- Presentation of Financial Statements (IAS 1)
  Under International Accounting Standard (IAS) 1, a complete set of financial statements should include a statement of financial position, a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows, accounting policies, and explanatory notes. IAS 1 prescribes various formats and requirements for statement presentation and disclosure. We expect the adoption of IAS 1 to result in several changes to the format of our financial statements, in expanded note disclosure, and in different classification and presentation of line items in our consolidated statements of financial position and consolidated statements of income. For example, we expect to change our current consolidated statements of shareholders' equity and comprehensive income by moving all other comprehensive income items to new consol idated statements of comprehensive income. We also expect to reclassify certain statement of financial position line items into new categories, such as "investment property," "provisions," "financial assets," and "financial liabilities." We have provided our Audit and Risk Committee with a draft set of financial statements, and we are in the process of preparing full IFRS note disclosures for the committee's review. Our financial statement presentation will evolve as we quantify the impacts of implementing the various standards.

- Business Combinations (IFRS 3R)
  Under IFRS 3R, postacquisition restructuring costs, such as lease exits, and acquisition-related costs, such as advisory, legal, accounting, valuation, and other professional or consulting fees, are expensed as incurred. Under Canadian GAAP, if certain criteria are met, many of these costs are recognized as liabilities in the purchase price allocation and impact goodwill. In addition, under IFRS 3R, an acquirer recognizes contingent consideration as part of the consideration transferred and measures it at the acquisition-date fair value. The remeasurement of the liability each quarter-end impacts earnings until the liability is settled. Under Canadian GAAP, contingent consideration is recorded in goodwill when the contingency is resolved. Therefore, our transition to IFRS will impact our goodwill and net income. As part of the IFRS trans ition, we fair valued, using an income approach, contingent consideration outstanding at January 1, 2010, from past business combinations. As a result, we estimate that, as at January 1, 2010, our financial liabilities will increase and our retained earnings will decrease by $6.0 million.

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

  Canadian GAAP also uses a two-step impairment testing approach for goodwill, whereas IFRS takes a one-step approach. Under IFRS, if the carrying amount of the cash generating unit (CGU) or group of CGUs exceeds the recoverable amount, an impairment loss is recognized. A CGU is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount is the higher of the fair value less cost to sell and the value in use.

  We have substantially completed our assessment of the impact of the above changes on our opening consolidated statement of financial position and estimate that on transition our intangible assets will decrease by $3.8 million and our retained earnings will decrease by $2.4 million (net of tax) due to an impairment relating to certain client relationships and favorable lease agreements.

- Sublease revenue recognition (IAS 37)
  Under IAS 37, an inflow of resources is recognized in the statement of financial position when it is virtually certain. Under Canadian GAAP, we establish lease exit liabilities when we cease to use office space under an operating lease arrangement. Included in the liability is the present value of the remaining lease payments offset by an estimate of future sublease revenue. Upon the adoption of IAS 37, we will derecognize an estimated $2.6 million in future sublease revenue at January 1, 2010, since this revenue was not virtually certain at that date. As a result, we estimate that our opening IFRS consolidated statement of financial position provision for lease exit liabilities will increase by $2.6 million and that retained earnings will decrease by $1.7 million (net of tax).

- Interests in Joint Ventures (IAS 31)
  Under IAS 31, an entity may account for interests in joint ventures using either the equity method or the proportionate consolidation method. Canadian GAAP requires the use of the proportionate consolidation method to account for joint ventures. In 2007, the International Accounting Standards Board (IASB) issued an exposure draft to amend IAS 31, thereby prohibiting proportionate consolidation. In our preliminary

assessment of our joint ventures, we expected the exposure draft to be effective January 1, 2011; however, the IASB postponed the finalization of the draft. Since proportionate consolidation, our current method of accounting for joint ventures, is permitted under the current IAS 31, we decided to maintain it as our current accounting policy choice. As a result, the adoption of IAS 31 will have no effect on our financial position or results of operations.

- Income Taxes (IAS 12)
  IFRS and Canadian GAAP accounting for income taxes are similar. However, various changes in accounting policies under IFRS will impact the corresponding deferred tax asset or liability. In addition, under IAS 12, we will be required to reclassify deferred tax assets and liabilities from current to non-current. As a result, we expect to reclassify $15.5 million in deferred tax assets and $15.6 million in deferred tax liabilities from current to long-term. In addition, because of various changes in accounting policies under IFRS, the most significant of which are listed above, we estimate that our deferred tax assets will increase by $4.0 million and our deferred tax liabilities will increase by $2.0 million.

c) IFRS 1 exemptions

Most adjustments required on the transition to IFRS will be made retrospectively against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time. IFRS 1, “First-Time Adoption of International Financial Reporting Standards,” provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The most significant exemptions that apply to our Company include the following:

- Business combinations.
  We expect to apply the business combinations exemption in IFRS 1 to not apply IFRS 3R, “Business Combinations,” retrospectively to past business combinations. Accordingly, we would not restate business combinations that took place prior to January 1, 2010. Any goodwill arising on business combinations before the transition date would not be adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption except as required under IFRS 1.

- Fair value or revaluation as deemed cost.
  We expect to elect to measure buildings, classified as property and equipment and investment property, at their fair values and to use that amount as their deemed cost at January 1, 2010. The cost of buildings would be determined by reference to their fair values at January 1, 2010, by professional valuators on an existing-use basis. We expect that our consolidated opening statement of financial position will not be materially impacted by this election.

- Cumulative currency translation adjustment.
  We expect to elect to deem the cumulative currency translation difference for all our foreign operations to be zero at January 1, 2010, by transferring the balance at that date to retained earnings. As a result, our January 1, 2010, cumulative translation adjustment balance of $50.8 million will be reclassified, increasing our accumulated other comprehensive income and decreasing our retained earnings, accordingly. Therefore, this election will have a net zero impact on our opening shareholders’ equity.

- Share-based payments.
  We expect to elect not to apply IFRS 2, “Share-Based Payments,” to equity instruments granted on or before November 7, 2002, or granted after November 7, 2002, that vested before January 1, 2010. For cash-settled share-based payment transactions, called deferred share units, we expect not to apply IFRS 2 to liabilities that were settled before January 1, 2010. We expect that our consolidated opening statement of financial position will not be impacted by this election.

d) Opening consolidated statement of financial position under IFRS

As indicated above, during 2010, we completed our work to quantify our January 1, 2010, balances under IFRS. In summary, on transition to IFRS, we expect our opening shareholders' equity at January 1, 2010, to decrease by an estimated $9.3 million. The most significant adjustments impacting our opening shareholders' equity are described in further detail in section b) above and are summarized in the unaudited table below. This information reflects our most recent views, assumptions, and expectations. However, circumstances may arise, such as changes in IFRS standards or in interpretations of IFRS standards, which could alter this information.

Standard	Balance Sheet Category	Description of Change	Increase (Decrease) Shareholders' Equity *(in millions of Canadian dollars)*
IFRS 3R	Financial liabilities	Recognition of contingent consideration outstanding from past business combinations	(6.0)
IAS 36	Intangible assets	Recognition of intangible asset impairment	(2.4)
IAS 37	Provisions	Derecognition of estimated future sublease revenue not virtually certain at January 1, 2010	(1.7)
IAS 12	Income taxes	Reclassification of deferred tax liabilities from current to long-term	No impact
	Other	Other transitional adjustments	0.8
		Total estimated after-tax impact on shareholders' equity	(9.3)

United States

Recently Adopted Accounting Pronouncements

Effective February 2010, we adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2010-09, "Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements" (ASU 2010-09). This ASU requires an entity that is an SEC filer to evaluate subsequent events through the date that its financial statements are issued and eliminates the requirement to disclose the date through which subsequent events have been evaluated. ASU 2010-09 was effective upon issuance. The prospective adoption of this standard has had no effect on our financial position or results of operations other than eliminating the disclosure of the date through which subsequent events have been evaluated.

Effective January 1, 2010, we adopted FASB ASU No. 2009-17, "Consolidations (Topic 810)—Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities" (ASU 2009-17), which codifies FASB Statement No. 167, "Amendments to FASB Interpretation No. 46(R)." This ASU represents a revision to former FASB Interpretation No. 46 (Revised December 2003), "Consolidation of Variable Interest Entities," and changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on the other entity's purpose and design and the reporting entity's ability to direct those activit ies of the other entity that most significantly impact the other entity's economic performance. ASU 2009-17 also requires additional disclosures about a reporting entity's involvement in variable interest

entities. The prospective adoption of this standard has had no material effect on our financial position or results of operations.

Effective January 1, 2010, we adopted FASB ASU No. 2010-05, “Compensation—Stock Compensation (Topic 718): Escrowed Share Arrangements and the Presumption of Compensation” (ASU 2010-05). This ASU codifies Emergency Issue Task Force Topic D-110, “Escrowed Share Arrangements and the Presumption of Compensation.” ASU 2010-05 states that when evaluating whether a presumption of compensation has been overcome, an entity should consider the substance of the arrangement, including whether it was entered into for purposes unrelated to, and not contingent upon, continued employment. The prospective adoption of this standard has had no material effect on our financial position or results of operations.

Recent accounting pronouncements

In January 2010, the FASB issued ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements" (ASU 2010-06). This ASU requires new disclosures for transfers in and out of levels 1 and 2 of fair value measurement categories and a description of the reasons for the transfers. This requirement was effective for us in the 2010 fiscal year, and its adoption did not have an impact on our financial position or results of operations. ASU 2010-06 also requires a separate presentation of information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using significant unobservable inputs (level 3). This requirement is effective in the 2011 fiscal year. Although this ASU may have an impact on our consolidated financial statements, we do no t expect to implement it in our consolidated financial statements since we will be adopting IFRS starting in fiscal 2011 and, after adoption, will no longer be providing a reconciliation of IFRS amounts to US GAAP.

In April 2010, the FASB issued ASU No. 2010-13, “Compensation—Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades—A consensus of the FASB Emerging Issues Task Force” (ASU 2010-13). ASU 2010-13 clarifies that equity share options granted to an employee of an entity’s foreign operations that provide a fixed exercise price denominated in (1) the foreign operation’s functional currency or (2) the currency in which the employee’s pay is denominated should not be classified as liabilities if they otherwise qualify as equity. The amendments in the proposed ASU are effective for fiscal years, including interim periods, beginning on or after December 15, 2010. The amendments wou ld be applied by recording a cumulative effect adjustment to the opening balance of retained earnings. Early adoption is permitted. We grant share options to US employees with a fixed exercise price denominated in Canadian dollars. Although this ASU may have an impact on our consolidated financial statements, we do not expect to implement it in our consolidated financial statements since we will be adopting IFRS starting in fiscal 2011 and, after adoption, will no longer be providing a reconciliation of IFRS amounts to US GAAP.

In December 2010, the FASB issued ASU No. 2010-28, “Intangibles—Goodwill and Other (Topic 350): How the Carrying Amount of a Reporting Unit Should Be Calculated When Performing Step 1 of the Goodwill Impairment Test” (ASU 2010-28). The ASU clarifies that the equity premise is the only method an entity can use for the purpose of calculating the carrying amount of a reporting unit. The equity premise reflects the net amount of all the assets and liabilities assigned to the reporting unit(s) of a reporting entity. Additionally, the amendments in ASU 2010-28 modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if there are adverse qualitative factors that indicate that it is more likely than not that a goodwill impairment exists. This ASU is effective for fiscal years, including interim periods, beginning after December 15, 2010. Early adoption is not permitted. Although this ASU may have an impact on our consolidated financial statements, we do not expect to implement it in our consolidated financial statements since we will be adopting IFRS starting in fiscal 2011 and, after adoption, will no longer be providing a reconciliation of IFRS amounts to US GAAP.

In December 2010, the FASB issued ASU No. 2010-29, “Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations” (ASU 2010-29). This ASU specifies that if a public entity presents comparative financial statements, the entity should disclose the revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in this ASU also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, non-recurring pro forma adjustments directly attributable to a business combination. The amendments in ASU 2010-29 are effective prospectively for business combinations that occur on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Although this ASU may have an impact on our consolidated financial statements, we do not expect to implement it in our consolidated financial statements since we will be adopting IFRS starting in fiscal 2011 and, after adoption, will no longer be providing a reconciliation of IFRS amounts to US GAAP.

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 measures are useful for providing investors with additional information to assist them in understanding components of our financial results.

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

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

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

Gross Revenue and Net Revenue. Our Company provides knowledge-based solutions for infrastructure and facilities projects through value-added professional services principally under fee-for-service agreements with clients. In the course of providing services, we incur certain direct costs for subconsultants, equipment, and other expenditures that are recoverable directly from our clients. The revenue associated with these direct costs is included in our gross revenue. Since such direct costs and their associated revenue can vary significantly from contract to contract, changes in our gross revenue may not be indicative of our revenue trends. Accordingly, we also report net revenue, which is gross revenue less subconsultant and other direct expenses, and analyze our results in relation to net revenue rather than to gross revenue. The most directly comparable measure in accordance with GAAP for gross revenue is revenue. There is no directly comparable GAAP measure for net revenue.

Gross Margin. We monitor our gross margin percentage levels to ensure that they are within an established acceptable range for the profitability of our operations. Gross margin is calculated as the difference of net revenue minus direct payroll costs. Direct payroll costs include the cost of salaries and related fringe benefits for labor hours that are directly associated with the completion of projects. Labor costs and related fringe benefits for labor hours that are not directly associated with the completion of projects are included in administrative and marketing expenses. There is no directly comparable GAAP measure for gross margin.

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 last four quarters divided by the average shareholders' equity over each of the last four quarters. There is no directly comparable GAAP measure for return on equity ratio.

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

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

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

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

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

Backlog. As part of our assessment of our financial condition, we monitor our backlog. We define backlog as the total value of secured work that has not yet been completed that a) is assessed by management as having a high certainty of being performed by either the existence of an executed contract or work order specifying the job scope, value, and timing or b) has been awarded to us through an executed binding or non-binding letter of intent or agreement describing the general job scope, value, and timing. Management must be reasonably assured that the letter of intent or agreement will be finalized in the form of a formal contract. Backlog is not a recognized performance measure under Canadian GAAP and does not have any standardized meaning prescribed by Canadian GAAP. We believe t hat backlog is a useful means of projecting activity in future periods. There is no directly comparable GAAP measure for backlog.

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, communications, power, or water
- Global economic or political conditions
- Regulatory or statutory developments
- The effects of competition in the geographic or business areas in which we operate
- The actions of management
- Technological changes

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

Like all professional services firms in the infrastructure and facilities industry, we are exposed to a number of risks, including market risks and risks arising from growth and acquisition activities. The most significant of these risks are listed below in order of seriousness—a combination of the impact on our Company and the probability of occurrence.

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

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

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

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 midsized, 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.

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

Our Health, Safety & Environment program is aimed at reducing risks to people, the environment, and our business; however, our employees are subject to environmental, health, and safety risks in the course of their employment. A number of these risks could result in personal injury, loss of life, or environmental and other damage to our property or the property of others. Alternatively, we could be exposed to civil and/or statutory liability to employees arising from injuries or deaths because of inadequate health and safety policies and practices. We cannot fully protect against all these risks, nor are all these risks insurable. We may become liable for damages arising from these events against which we cannot insure or against which we may elect not to insure because of high premium costs or other reasons. As well, we risk incurrin g additional costs on projects that have sustained environmental, health, and safety hazards because they may require additional time to complete or because employee time may be lost due to injury.

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

As of December 31, 2010, our backlog was approximately $1.0 billion. However, the revenue projected in our backlog is determined by the judgment of management and may not be realized or, if realized, may not result in profits. Projects may remain in our backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur from time to time with respect to contracts reflected in our backlog. Backlog reductions can adversely affect the revenue and profits we actually receive from contracts reflected in our backlog. 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.

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 operate properly. If we are unable to continually add software and hardware, effectively upgrade our systems and network infrastructure, maintain our key information technology personnel, and take other steps to improve the efficiency of and protect our systems, our 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 interruptions, delays, and loss of critical data; could delay or prevent operations; and may adversely affect our operating results.

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 34% of our gross revenue during the years ended December 31, 2008, through December 31, 2010, 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. 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.

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

There may be instances when opportunities to provide services through models other than the fee-for-service business, for example, P3s, arise due to changing markets. Failure to respond to these market demands may result in clients awarding projects to our competitors, resulting in lost revenues.

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 2010 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 services based on our estimate of the costs a particular project will involve. These estimates are established in part on cost and scheduling projections, which may prove to be inaccurate, or circumstances may arise, such as unanticipated technical problems, weaknesses in project management, difficulties in obtaining permits or approvals, changes in local laws, or delays beyond our ability to control, that make our projections inaccurate. The underestimation of costs for these types of contracts may cause us to incur losses or result in a project not being as profitable as we expect. In addition, projects that are not completed on schedule further reduce profitability because our staff must continue to work on them longer than anticipated, which may prevent staff from pursuing and working on new projects. Projects that are over budget or not on schedule may also lead to client dissatisfaction.

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

The ability to attract and retain trained professionals is one of the key drivers of our business and results. Therefore, the success of an acquisition depends in part on our ability to retain key employees of the acquired firm. Competition for qualified staff can be 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 in the past.

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, we will have difficulty achieving our growth plan.

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

Our rationale for acquiring a firm is, in part, predicated on our ability to leverage the combined strengths of the two companies to increase our opportunities and revenue. Integrating an acquired firm's operations and staff into our own is a complex endeavor, and we may not be able to complete the process rapidly or without encountering difficulties. Successful integration requires, among other things, the assimilation of the firm's professional services, sales and marketing operations, and information and software systems as well as the coordination of employee retention 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 th e anticipated improvement in professional service offerings, market penetration, profitability, and geographic presence that formed the foundation for the acquisition.

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

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

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

Goodwill and intangible assets represent approximately 47% of our total assets. When we acquire a consulting business, a significant portion of the purchase price for the acquisition is generally allocated to goodwill and identifiable intangible assets. The amount of the purchase price allocated to goodwill is determined by the excess of the purchase price paid by us to acquire the consulting business over the fair value of the net identifiable

assets acquired. Canadian and US accounting rules require us to perform an annual impairment test of our goodwill and 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 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 cash-generating units compared to our expectations and update our future expectations for such cash-generating units. An impairment of goodwill would be recorded as a charge in our income statement, which could have a material effect on our earnings.

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

Although we serve many diverse clients and are not dependent on any one client or group of clients to sustain our business, our reputation for delivering effective and efficient solutions for complex projects is one of our most valuable business development assets. 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.

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 and US 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, 2010; December 31, 2009; and December 31, 2008, for C$1.00 were US$0.97, US$0.88, and US$0.94, respectively. Furthermore, this volatility may continue in the future, and, as discussed above, any increases in the strength of the Canadian dollar relative to the US dollar may have a negative impact on the results of our operations.

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

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.

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

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

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

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

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 and changes to our business systems, 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.

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 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.

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.

We may be unable to secure the additional capital required to fund our acquisition strategy, which could lead to a reduction in our market share and competitiveness.

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

Using internally generated cash or taking on debt to complete acquisitions could substantially limit our operational and financial flexibility. The extent to which we will be able or willing to use our common shares for acquisitions will depend on the market value of our shares from time to time and the willingness of potential sellers to accept our shares as full or partial payment.

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 internal growth and 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. During 2010, we filed a short-form prospectus with all provincial securities regulatory authorities in Canada and a corresponding base shelf registration statement with the SEC. Pursuant to the prospectus, we may issue up to $300 million in common shares during a 25-month period effective May 6, 2010.

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

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

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

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

Our share price has experienced volatility in the past and will likely be volatile in the future. For example, the intraday high and low prices for our common shares on the TSX and New York Stock Exchange (NYSE) during the 52 weeks ended December 31, 2010, were $30.40 and $22.79, respectively, and US$29.29 and US$20.80, respectively.

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

In addition, the stock market has experienced volatility that has affected the market prices of the publicly traded shares 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.

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 its services because of uncertainties related to the consummation of the acquisition, including the possibility that the acquisition may not be completed if all the conditions of the transaction are not fulfilled. This circumstance could have an adverse effect on our revenue and profitability.

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

We are required to comply with state, provincial, and federal employment laws as well as internal policies concerning the payment of wages, discrimination, and misclassification regarding overtime entitlements. Failure to comply with any of these legal schemes could result in a material cost to the Company. We face the additional risk of losing the support of our employee base which could result in a failure to attract and retain key staff. We maintain insurance coverage for our operations, including employment practices liability insurance; however, it may not be sufficient to cover all liability that could arise.

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

Inadequate internal controls or disclosure controls over financial reporting could result in material 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.

The Canadian Accounting Standards Board requires all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require restatement for comparative purposes of amounts we reported for the year ending December 31, 2010. A robust system of internal controls is our best method of ensuring reporting integrity and minimizing the risk of misstatement and fraud. A period of change, such as that encountered during an accounting conversion, could lead to modifications in the design and effectiveness of internal controls, hence increasing risk. Other significant risk areas include the communication of impacts and results to stakeholders and the inability of management to conclude and certify the design or effectiveness of our internal controls over financial reporting.

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

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

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

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

Our operations are dependent on the abilities, experience, and efforts of senior management and other key personnel. If any of these individuals are unable or unwilling to continue their employment with us, and if we do not have a well-developed succession plan prior to their departure, our business, operations, and prospects may

be materially adversely affected. The transition of key leadership positions may result in increased training costs as well as a loss of institutional knowledge, industry relationships, or expertise developed by the leader.

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

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

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, 2010, we have completed 52 acquisitions, and we expect to continue to pursue selective acquisitions that will enable us to enhance our market penetration and increase and diversify our revenue base. We also differentiate our Company from competitors by entering into a diverse range of contracts with a variety of fee amounts. 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 an employee share ownership plan, and opportunities for professional development and enhancement, along with compensation plans that we believe to be competitive, flexible, and designed to reward top performance. In 2010, we completed a number of activities, including implementing a Company-wide Award of Excellence program to recognize employees who demonstrate achievement in several key areas, launching a mandatory Ethics and Code of Conduct training program to all staff, updating the Learning Portal (an electronic learning management tool) on our intranet, providing integration training to newly acquired employees, and introducing and updating eLearning modules and tutorials in our Career Develop ment Center and on other online sites. Our Career Development Center is the online source for all our learning, coaching and mentoring, and professional and career development resources. During the year, we also continued to roll out the leadership development program we launched in 2008 to leaders throughout our regions, updated and enhanced the content and exams in our project management learning series, and delivered a record number of face-to-face and on-demand project management training sessions. We also invested in our staff by focusing on health and safety initiatives, including providing education and training for supervisors in health and safety rights and responsibilities.

With regards to effective project management and execution, in 2008 we achieved registration with the International Organization for Standardization’s (ISO) 9001:2000 quality management standard, and in 2010, we updated this certification to the ISO 9001:2008 standard. ISO 9001:2008 is a globally recognized set of requirements for establishing effective quality management systems. In 2008, 2009, and 2010, we also achieved ISO/IEC 20000-1:2005 certification. This certification sets out the requirements for information technology services and infrastructure support using an internationally accepted service management framework of best practices. Our objective in obtaining and maintaining the ISO/IEC 20000-1:2005 certification is to ensure the quality, consistency, reliability, and value of information technology services that underpin our business operations.

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

To mitigate the risk of fraud, we have various business conduct policies, including our Code of Ethics, Conflict of Interest, and Integrity policies. In addition, our Internal Audit team evaluates risks and opportunities relating to 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 i nto 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. A senior regional or practice leader is appointed for each acquisition 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 support services from our corporate and regional offices.

In addition, we have a dedicated IFRS conversion team. The team has prepared a detailed work plan for the implementation of IFRS, of which it has completed the detailed assessment and solution development phases and is working on the implementation phase. We have also established an IFRS Advisory Committee consisting of representatives from our Financial Services, Treasury, Internal Audit, Investor Relations, IT, and Operations groups. The IFRS conversion team provides regular updates to the IFRS Advisory Committee and the Audit and Risk Committee, including reports on the progress made on the detailed work plan.

CONTROLS AND PROCEDURES

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

Under the supervision and with the participation of management, including our CEO and CFO, we carried out an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2010, (as defined in rules adopted by the SEC in the United States and as defined in Canada by National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings). Based on this evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures were effective.

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

preparation of our financial statements. Accordingly, management, including our CEO and CFO, does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. Management's Annual Report on Internal Control over Financial Reporting and the Independent Auditors' Report on Internal Controls are included in our 2010 consolidated financial statements.

There has been no change in our internal control over financial reporting during the year ended December 31, 2010, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

CORPORATE GOVERNANCE

Disclosure Committee

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

Board of Directors

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

The board's mandate is to supervise Stantec's management with a view to the Company's best interests. The board 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 2010, Stantec's board included two committees—the Audit and Risk Committee and the Corporate Governance and Compensation Committee. Both committees are composed entirely of unrelated, independent directors.

Audit and Risk Committee

The Audit and Risk Committee monitors, evaluates, approves, and makes recommendations on matters affecting Stantec's external audit, financial reporting, accounting control policies, and risk management matters. The committee met six times in 2010. The chairman of the committee provides regular reports at the Company's board meetings. The board has determined that each of the Audit and Risk Committee's members is financially literate and that the majority of the members are "financial experts" as such term is defined under the rules of the SEC and NYSE.

Corporate Governance and Compensation Committee
The Corporate Governance and Compensation Committee monitors, evaluates, approves, and makes recommendations on matters affecting governance and compensation. Governance matters include, but are not limited to, board size, nominations, orientation, education, and self-evaluation. Compensation matters include, but are not limited to, executive management compensation, performance review, and succession plans. The Corporate Governance and Compensation Committee met five times in 2010. 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 website (www.stantec.com) and in the Management Information Circular for our May 12, 2011, annual meeting of shareholders. In addition, the following documents are posted on our website:

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

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

SUBSEQUENT EVENTS

On February 11, 2011, the Company acquired the shares and business of QuadraTec, Inc. for cash consideration and notes payable. With offices in Newfoundland and Labrador, QuadraTec, Inc. provides services including mechanical, electrical, industrial, and communication engineering; energy management; design; studies; and contract administration.

On January 28, 2011, the board of directors granted share options to officers and employees to purchase 410,000 shares at an exercise price of $28.65. These options vest evenly over a three-year period and have contractual lives of seven years.

Subsequent events have been evaluated through to the date the consolidated financial statements were issued.

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 h as been prepared by management and is consistent with the information in the consolidated financial statements.

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

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

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with 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, 2010.

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 Anshen & Allen Architecture, Inc. (Anshen + Allen), acquired on September 10, 2010, and of Burt Hill, Inc. (Burt Hill), acquired on December 3, 2010. The assets and liabilities and results of operations from these companies are included in the Company's consolidated financial statements. The total assets of Anshen + Allen and Burt Hill on their acquisition dates were $44.9 million and $90.7 million, respectively. These assets as a percentage of the Company's total assets, as at December 31, 2010, were 3.4% and 6.9%, respectively. The gross revenue earned by Anshen + Allen and Burt Hill from their dates of acquisition to Decemb er 31, 2010, constituted 0.6% and 0.3%, respectively, of the Company's gross revenue for the year ended December 31, 2010.

Ernst & Young LLP, which has audited the consolidated financial statements of the Company for the year ended December 31, 2010, has also issued a report on the effectiveness of the Company's internal control over financial reporting.



Bob Gomes, P.Eng.
President & CEO
February 24, 2011



Dan Lefaivre, CMA
Senior Vice President & CFO
February 24, 2011

Independent Auditors' Report of Registered Public Accounting Firm

To the Board of Directors and Shareholders of Stantec Inc.

We have audited the accompanying consolidated financial statements of Stantec Inc., which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009, and the consolidated statements of income, in shareholders' equity, and comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Stantec Inc. as at December 31, 2010 and December 31, 2009, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2010 in accordance with Canadian generally accepted accounting principles.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Stantec Inc.'s internal control over financial reporting as of December 31, 2010, based on the criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2011 expressed an unqualified opinion on Stantec Inc.'s internal control over financial reporting.

Ernst & Young LLP

Chartered Accountants
Edmonton, Canada
February 24, 2011

Independent Auditors' Report on Internal Control Over Financial Reporting

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

To the Board of Directors and Shareholders of Stantec Inc.

We have audited Stantec Inc.'s internal control over financial reporting as of December 31, 2010, 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 c ompany; 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 Anshen + Allen Architecture, Inc. (Anshen + Allen) and Burt Hill Inc. (Burt Hill) which are included in the 2010 consolidated financial statements of Stantec Inc. The total assets of Anshen + Allen and Burt Hill on their acquisition dates constituted 3.4% and 6.9% of Stantec Inc.'s total assets at December 31, 2010. The gross revenue earned by Anshen + Allen and Burt Hill from their dates of acquisition to December 31, 2010 constitute 0.6% and 0.3%, respectively, of Stantec Inc.'s gross revenues for the year then ended. Our audit of internal control over financial reporting of Stantec Inc. also did not inclu de an evaluation of the internal control over financial reporting of Anshen + Allen and Burt Hill.

In our opinion, Stantec Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, 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 at December 31, 2010 and 2009, 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, 2010 and our report dated February 24, 2011, expressed an unqualified opinion thereon.

Ernst & Young LLP

Chartered Accountants
Edmonton, Canada
February 24, 2011

Consolidated Balance Sheets

(In thousands of Canadian dollars)	**December 31 2010 $**	December 31 2009 $
ASSETS *(note 8)*		
Current		
Cash and cash equivalents	**62,731**	14,690
Accounts receivable, net of allowance for doubtful accounts of $8,033 (2009 – $9,395)	**290,388**	253,205
Costs and estimated earnings in excess of billings	**103,204**	95,794
Income taxes recoverable	**12,313**	12,144
Prepaid expenses	**11,068**	11,352
Future income tax assets *(note 18)*	**16,059**	15,518
Other assets (*note 6*)	**8,750**	6,550
Total current assets	**504,513**	409,253
Property and equipment (*note 3*)	**113,996**	108,256
Goodwill (*note 4*)	**551,446**	468,814
Intangible assets (*note 5*)	**73,370**	64,155
Future income tax assets *(note 18)*	**21,396**	23,940
Other assets (*note 6*)	**58,787**	49,127
	1,323,508	1,123,545
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (*note 7*)	**192,106**	167,175
Billings in excess of costs and estimated earnings	**58,071**	52,007
Income taxes payable	**3,397**	-
Current portion of long-term debt (*note 8*)	**47,265**	35,428
Future income tax liabilities *(note 18)*	**15,843**	15,643
Other liabilities *(note 9)*	**14,660**	13,558
Total current liabilities	**331,342**	283,811
Long-term debt (*note 8*)	**269,294**	198,769
Future income tax liabilities *(note 18)*	**30,749**	29,536
Other liabilities (*note 9*)	**66,545**	63,849
	697,930	575,965
Non-controlling interest in subsidiaries (*note 10*)	**103**	186
Commitments, contingencies, and guarantees (*notes 2, 8, 11, and 13*)		
Shareholders' equity		
Share capital (*note 14*)	**225,158**	221,983
Contributed surplus (*note 14*)	**13,340**	12,606
Retained earnings	**454,301**	364,569
Accumulated other comprehensive loss *(note 17)*	**(67,324)**	(51,764)
Total shareholders' equity	**625,475**	547,394
	1,323,508	1,123,545

See accompanying notes

On behalf of the Board of Directors:





Director

Director

Consolidated Statements of Income

Years ended December 31 *(In thousands of Canadian dollars, except per share amounts)*	**2010** **$**	2009 $	2008 $
INCOME			
Gross revenue	**1,513,062**	1,519,865	1,351,951
Less subconsultant and other direct expenses	**287,022**	276,923	221,827
Net revenue	**1,226,040**	1,242,942	1,130,124
Direct payroll costs	**537,704**	543,640	500,789
Gross margin	**688,336**	699,302	629,335
Administrative and marketing expenses *(notes 14 and 24)*	**510,934**	519,147	466,187
Depreciation of property and equipment	**24,402**	24,547	21,820
Amortization of intangible assets	**17,599**	19,820	14,264
Impairment of goodwill and intangible assets *(notes 4 and 5)*	**1,772**	35,000	58,369
Net interest expense *(note 8)*	**9,000**	11,379	7,477
Share of income from associated companies	**(2,209)**	(3,690)	(160)
Gain on sale of equity investments *(note 6)*	**(7,183)**	-	-
Foreign exchange losses (gains)	**1,355**	2,273	(2,033)
Other income	**(850)**	(840)	(1,088)
Income before income taxes	**133,516**	91,666	64,499
Income taxes (*note 18*)			
Current	**42,429**	41,599	41,213
Future	**(2,508)**	(5,873)	(5,731)
Total income taxes	**39,921**	35,726	35,482
Net income for the year	**93,595**	55,940	29,017
Earnings per share (*note 19*)			
Basic	**2.05**	1.23	0.64
Diluted	**2.04**	1.22	0.63

See accompanying notes

Consolidated Statements of Shareholders' Equity and Comprehensive Income

(In thousands of Canadian dollars, except shares outstanding)	Shares Outstanding *(note 14)* #	Share Capital *(note 14)* $	Contributed Surplus *(note 14)* $	Deferred Stock Compensation $	Retained Earnings $	Accumulated Other Comprehensive Income (AOCI) (Loss) (AOCL) *(note 17)* $	Total $
Balance, December 31, 2007	45,698,143	218,790	6,266	(110)	286,780	(69,028)	442,698
Comprehensive income:							
Net income					29,017		29,017
Currency translation adjustments						76,923	76,923
Unrealized losses on cash flow hedge						(2,974)	(2,974)
Unrealized losses on financial assets						(3,641)	(3,641)
Realized gains on financial assets transferred to net income						(149)	(149)
Total comprehensive income					29,017	70,159	99,176
Share options exercised for cash	97,860	1,199					1,199
Stock-based compensation expense			4,887	110			4,997
Shares repurchased under normal course issuer bid	(351,400)	(1,688)	(58)		(7,168)		(8,914)
Reclassification of fair value of share options previously expensed		423	(423)				-
Shares issued on vesting of restricted shares	3,520	33	(214)				(181)
Balance, December 31, 2008	45,448,123	218,757	10,458	-	308,629	1,131	538,975
Retained earnings and AOCI						309,760	
Balance, December 31, 2008	45,448,123	218,757	10,458	-	308,629	1,131	538,975
Comprehensive income:							
Net income					55,940		55,940
Currency translation adjustments						(57,248)	(57,248)
Unrealized gains on cash flow hedge						1,443	1,443
Unrealized gains on financial assets						2,691	2,691
Realized losses on financial assets transferred to net income						219	219
Total comprehensive income					55,940	(52,895)	3,045
Share options exercised for cash	268,697	2,346					2,346
Stock-based compensation expense			3,028	-			3,028
Reclassification of fair value of share options previously expensed		880	(880)				-
Balance, December 31, 2009	45,716,820	221,983	12,606	-	364,569	(51,764)	547,394
Retained earnings and AOCL						312,805	
Balance, December 31, 2009	45,716,820	221,983	12,606	-	364,569	(51,764)	547,394
Comprehensive income:							
Net income					93,595		93,595

Currency translation adjustments						(18,981)	(18,981)
Unrealized gains on cash flow hedge						1,531	1,531
Unrealized gains on financial assets						1,624	1,624
Realized losses on financial assets transferred to net income						266	266
Total comprehensive income					93,595	(15,560)	78,035
Share options exercised for cash	249,800	3,044					3,044
Stock-based compensation expense	-	-	1,889				1,889
Shares repurchased under normal course issuer bid	(198,300)	(965)	(59)		(3,863)		(4,887)
Reclassification of fair value of share options previously expensed		1,096	(1,096)				-
Balance, December 31, 2010	45,768,320	225,158	13,340	-	454,301	(67,324)	625,475
Retained earnings and AOCL						386,977	

See accompanying notes

Consolidated Statements of Cash Flows

Years ended December 31 *(In thousands of Canadian dollars)*	**2010** **$**	2009 $	2008 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash receipts from clients	**1,499,392**	1,564,415	1,222,566
Cash paid to suppliers	**(510,410)**	(545,671)	(276,862)
Cash paid to employees	**(821,360)**	(852,459)	(737,931)
Dividends from equity investments	**2,852**	1,283	150
Interest received	**3,111**	2,192	1,857
Interest paid	**(16,775)**	(12,383)	(6,597)
Income taxes paid	**(51,548)**	(65,731)	(50,037)
Income taxes recovered	**9,522**	8,331	6,884
Cash flows from operating activities (*note 20*)	**114,784**	99,977	160,030
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired *(note 2)*	**(66,989)**	(73,078)	(92,087)
Cash held in escrow *(note 2)*	**-**	-	(6,178)
Decrease (increase) in investments held for self-insured liabilities	**(7,301)**	(11,040)	5,820
Proceeds on disposition of investments	**1,283**	-	9
Purchase of intangible assets	**(3,262)**	(3,062)	(2,846)
Purchase of property and equipment	**(25,725)**	(17,366)	(32,791)
Proceeds on disposition of property and equipment	**412**	1,331	410
Proceeds on sale of equity investments *(note 6)*	**9,980**	-	-
Cash flows used in investing activities	**(91,602)**	(103,215)	(127,663)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Repayment of long-term debt	**(179,406)**	(147,902)	(164,602)
Proceeds from long-term borrowings	**216,948**	68,771	228,337
Repayment of acquired bank indebtedness *(note 2)*	**(3,895)**	(4,596)	(1,788)
Repayment of capital lease obligations	**(5,356)**	(2,759)	(438)
Repurchase of shares for cancellation *(note 14)*	**(4,887)**	-	(8,914)
Proceeds from issue of share capital *(note 14)*	**3,044**	2,346	1,199
Cash flows from (used in) financing activities	**26,448**	(84,140)	53,794
Foreign exchange gain (loss) on cash held in foreign currency	**(1,589)**	(1,911)	3,643
Net increase (decrease) in cash and cash equivalents	**48,041**	(89,289)	89,804
Cash and cash equivalents, beginning of the year	**14,690**	103,979	14,175
Cash and cash equivalents, end of the year	**62,731**	14,690	103,979

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, project management, environmental sciences, and project economics for infrastructure and facilities projects.

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 significant 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 25.

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 and assumptions used to estimate the fair value of reporting units for goodwill impairment purposes and to test for the impairment of long-lived assets. 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 date 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 carriec 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.

Other investments, including investments held for self-insured liabilities, are designated as available for sale and 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 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
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. Assets under capital leases are for certain office and automotive equipment and are depreciated on a 20 to 30% declining balance basis. Rental payments under operating leases are expensed evenly over the lease term.

From time to time, the Company enters into or renegotiates premises operating leases that result in the receipt of lease inducement benefits. These benefits are accounted for as a reduction of rental expense over the 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

Goodwill is not amortized but is evaluated for impairment annually or when events or circumstances occur that are more likely than not to reduce the fair value of a reporting unit below its carrying value. Goodwill impairment testing is a two-step process. In the first step, the Company compares the fair values of its reporting units to their respective carrying values, which are determined using market information and discounted after-tax cash flow projections. If the carrying value of a reporting unit is higher than its fair value, goodwill is potentially impaired and step two of the impairment test is performed. In step two, the amount of the impairment is calculated by comparing the implied fair value of the reporting unit’s goodwill to the carrying value of the goodwill. If the implied fair value of the goodwill is less th an its carrying value, an impairment charge is recorded in income for the difference.

Intangible assets

The cost of intangible assets with determinable 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 1 to 3 years, and software is amortized over periods ranging from 3 to 7 years. Other intangible assets include technology, non-compete agreements, and advantageous leasehold commitments, which are amortized over estimated lives of 3 to 11 years. The Company assigns value to acquired contract backlog and customer lists using the income approach, which involves quantifying the present value of net cash flows attributed to the subject asset. This, in turn, involves estimating the revenues and earnings expected from the asset. Recognition of the contributory assets, such as working capital and property and equipment required and used to generate the expected after-tax earnings, is included since these assets also

require a return based on their fair values. Expected earnings after contributory charges and income taxes are discounted by the appropriate after-tax discount rate to arrive at the fair value.

Long-lived assets

The Company tests long-lived assets, including property and equipment and intangible assets, for recoverability when events or a change in circumstances indicate that their carrying amount may not be recoverable. The determination of recoverability is based on an estimate of undiscounted cash flow expected to result from the use of the related asset and factors such as expected future asset utilization and business climate. Based on this review, if it is determined that the long-lived asset is not fully recoverable, an impairment loss is recognized in income. The impairment loss is measured based on the amount that the carrying value of the long-lived asset exceeds its fair value.

Provision and investments held for self-insured liabilities

The Company self-insures certain risks related to professional liability and automobile physical damages. The provision for self-insured liabilities includes estimates of the costs of reported claims (including potential claims that are probable of being asserted) and is based on estimates of loss using assumptions made by management, including consideration of actuarial projections. The provision for self-insured liabilities does not include unasserted claims where assertion by a third party is not probable.

The Company invests funds to support the provision for self-insured liabilities. These investments are recorded at fair value in other assets as investments held for self-insured liabilities.

Derivative financial instruments and hedging

From time to time, the Company may enter into foreign currency forward contracts to manage risk associated with net operating assets denominated in US dollars. As well, it may enter into interest rate swap agreements to manage the risk associated with interest rate cash flow to the extent that its credit facilities are based on floating rates of interest. The Company’s policy is not to use these derivative financial instruments for trading or speculative purposes. These derivative financial instruments are recognized at fair value. The fair value of these instruments is recorded in the balance sheet as other assets or other liabilities. Any changes in the fair value of the foreign currency forward contracts are recorded in income when the changes occur. Since interest rate swap agreements are recorded as cash flow hedges, any u nrealized gains or losses are recorded in other comprehensive income.

Interest rate swap agreements that are designated as cash flow hedges are reviewed on a regular basis to ensure that the hedge continues to be effective. If the hedge ceases to meet the criteria for effectiveness, the cumulative gain or loss in accumulated other comprehensive income is immediately reclassified to income.

Non-interest-bearing debt

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

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 represent work in progress that has been recognized as revenue but not yet invoiced to clients. Billings in excess of costs and estimated earnings represent amounts that have been invoiced to clients but not yet recognized as revenue. Revenue does not includ e 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 year. 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 14) 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 the compensation expense arising from stock-based awards.

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 are computed based on the weighted average number of common shares outstanding during the year. Diluted earnings per share are computed using the treasury stock method, which assumes that the cash that would be received on the exercise of options is applied to purchase shares at the average price during the year and that the difference between the number of shares issued on the exercise of options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding. 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 inabilityto collect on itsaccounts receivable. Ituses estimates in arriving at itsallowance 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

International Financial Reporting Standards. In February 2008, the Canadian Institute of Chartered Accountants (CICA) confirmed that Canadian reporting issuers would need to begin reporting under International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. IFRS uses a conceptual framework similar to that used by Canadian GAAP, but there are differences in recognition, measurement, and disclosure.

The Company started its IFRS conversion project in 2008. This project consists of five phases: 1) preliminary planning and scoping, 2) detailed assessment, 3) solution development, 4) implementation, and 5) postimplementation review. The Company has now completed the preliminary planning and scoping, detailed assessment, and solution development phases and is in the implementation phase. To date, it is on target with the original timeline in its detailed work plan.

In the preliminary planning and scoping phase, the Company established a dedicated team to work on the IFRS transition and an IFRS Advisory Committee consisting of representatives from its Financial Services, Treasury, Internal Audit, Investor Relations, Information Technology, and Operations groups. The IFRS team provides updates to the IFRS Advisory Committee and the Audit and Risk Committee, including reports on the progress made on the detailed work plan. Also during this phase, the Company completed a high-level diagnostic that identified the major differences between Canadian GAAP and IFRS and prioritized the IFRS requirements based on their financial reporting impact, business impact, and complexity.

In the detailed assessment phase, the Company established issue-specific workgroups to perform a detailed diagnostic and select accounting policies when alternatives are available. IFRS 1, “First-Time Adoption of International Financial Reporting Standards,” provides entities that are adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirements for full retrospective application of IFRS. The solution development phase involved the formulation, documentation, and approval of solutions for the implementation of IFRS. During this phase, the Company also established and implemented a communication and training plan and provided training to the Stantec Board of Directors, Audit and Risk Committee, key employees, and stakeholders. Considering the impacts of IFRS on the Company's finan cial disclosure, business processes, information technology, and internal control over financial reporting was integral to the detailed assessment and solution development phases. During these phases, the Audit and Risk Committee reviewed the Company’s potential policy choices, optional exemptions, and financial statement presentation under IFRS. These phases also provided insight into the most significant areas of difference applicable to the Company,

including business combinations, impairment of assets, and more extensive presentation requirements under IFRS. The areas of significance identified are based on available information and the Company's expectations as of the date of this report and are subject to change with new facts and circumstances.

The Company continues to monitor the development of standards and regulations issued by the International Accounting Standards Board and Canadian Securities Administrators that may affect the timing, nature, or disclosure of its adoption of IFRS. At this phase of the project, the Company is determining the potential financial reporting impact of the differences between Canadian GAAP and IFRS on its operations.

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 values of the acquired assets and liabilities as at the acquisition date. Upon finalization, adjustm ents 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 consolidated balance sheet date, these purchase price adjustment clauses are reviewed, which may result in an increase or reduction to the note payable consideration recorded at acquisition to reflect either more or less non-cash working capital than was originally recorded.

As at December 31, 2010, additional consideration, specified in certain purchase agreements, may be payable based on future performance parameters. This contingent consideration is not determinable and will be recognized as an adjustment to goodwill in the period in which the contingency is resolved. During 2010, $2,459,000 (2009 – $2,324,000) in contingent consideration of this nature was recorded.

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 2010

On March 1, 2010, the Company acquired the net assets and business of Project Control Group Inc. (PCGI) for cash consideration and notes payable. The acquisition of this firm, located in Toronto, Ontario, strengthened the Company's program and project management expertise.

On April 30, 2010, the Company acquired the shares and business of the Winnipeg, Manitoba-based firm Tetr *ES* Consultants Inc. (Tetr*ES*) for cash consideration and notes payable. Tetr*ES* is an environmental management consulting firm that specializes in infrastructure and master planning, environmental assessment, and management of strategic regulatory issues and regulatory defense and expert testimony for the energy, government, mining, food-processing, petrochemical, and tribunal support sectors. The acquisition of this firm strengthened the Company's environmental services in Canada.

On July 2, 2010, the Company acquired the shares and business of IEA Holdings, Inc. (IEA) for cash consideration and promissory notes. The acquisition of IEA, headquartered in Portland, Maine, enhanced the Company's expertise in the power sector. IEA specializes in providing engineering, project management, procurement, construction management, and start-up services for the energy market.

On July 23, 2010, the Company acquired the shares and business of WilsonMiller, Inc. for cash consideration and promissory notes. Headquartered in Naples, Florida, with offices throughout the state, WilsonMiller, Inc. is a multidisciplinary planning, design, and engineering firm that provides services for infrastructure, transportation, land management, and environmental projects to public and private sector clients.

On July 30, 2010, the Company acquired the net assets and business of Natural Resources Consulting, Inc. (NRC) for cash consideration and promissory notes. The acquisition of this firm, headquartered in Cottage Grove, Wisconsin, strengthened the Company's Environment practice area. NRC provides environmental permitting and compliance support services particularly related to the siting and permitting of electrical transmission lines, natural gas and petroleum pipelines, and renewable energy projects.

On August 6, 2010, the Company acquired the net assets and business of Communication Arts, Inc. (CommArts) for cash consideration and notes payable. The acquisition of this firm, headquartered in Boulder, Colorado, enhanced the Company’s Architecture practice. CommArts is a design firm that specializes in project visioning, branding, and associated conceptual architectural and environmental graphics.

On September 10, 2010, the Company acquired the shares and business of Anshen & Allen Architecture, Inc. (Anshen + Allen) for cash consideration and notes payable. Anshen + Allen is an international architecture firm that specializes in the design of healthcare, academic, and research facilities through offices in San Francisco, California; Columbus, Ohio; Boston, Massachusetts; and London, England.

On September 15, 2010, the Company acquired the shares and business of ECO:LOGIC Engineering (ECO:LOGIC) for cash consideration and promissory notes. The acquisition of ECO:LOGIC, based in Rocklin, California, enhanced the services offered in the Company's Environment practice area. ECO:LOGIC specializes in the planning, permitting, design, construction management, and operations of water and wastewater facilities in northern California and Nevada.

On October 8, 2010, the Company acquired the net assets and business of Street Smarts, Inc. and Data Smarts, LLC (Street Smarts) for cash consideration and promissory notes. These firms, based in Duluth, Georgia, provide services to both the public and private sectors in transportation planning, traffic engineering, roadway design, surveying and geomatics, subsurface utility engineering, and land development. The acquisition of Street Smarts will provide greater depth to the Transportation practice in the southeastern United States and build on the Company's current presence in Atlanta, Georgia.

On December 3, 2010, the Company acquired the shares and business of Burt Hill, Inc. (Burt Hill) for cash consideration and promissory notes. This Pennsylvania-headquartered international architecture and engineering firm specializes in higher education and healthcare design. Burt Hill’s office locations largely complement the Company's existing operations along the US East Coast, including shared presence in Pittsburgh and Philadelphia, Pennsylvania; Boston, Massachusetts; Columbus, Ohio; and Phoenix, Arizona. The acquisition also adds US staff in Butler and State College, Pennsylvania; Cleveland, Ohio; Washington, DC; and Miami, Florida, and international staff in the United Arab Emirates and India.

During 2010, the Company adjusted the purchase prices on the Granary Associates, Inc. (Granary); the Jacques Whitford Group Ltd. and Jacques Whitford Global Group Limited (Jacques Whitford); The Zande Companies, Inc.; the Murphy Hilgers Architects Inc.; the Dunlop Architects Inc.; and the McIntosh Engineering Holdings Corporation acquisitions pursuant to purchase price adjustment clauses included in the purchase agreements. These adjustments impacted non-cash working capital and notes payable.

During 2010, the purchase price allocations for the Granary and PCGI acquisitions were finalized. The Company expects to finalize the purchase price allocation for the Tetr*ES* acquisition in the first quarter of 2011; the purchase price allocations for the IEA, WilsonMiller, Inc., NRC, and CommArts acquisitions in the second quarter of 2011; the purchase price allocations for the ECO:LOGIC and Anshen + Allen acquisitions in the third quarter of 2011; and the purchase price allocations for Street Smarts and Burt Hill in the fourth quarter of 2011.

Acquisitions in 2009

On January 2, 2009, the Company acquired the shares and businesses of Jacques Whitford for cash consideration of $64.0 million and notes payable of $79.0 million. This firm is a leading provider of environmental management and remediation and geotechnical engineering services. The acquisition of Jacques Whitford increased the Company's presence in Canada and the eastern United States and expanded its ability to provide environmental assessments and permitting services, especially for the energy sector.

On November 6, 2009, the Company acquired the net assets and business of Granary for cash consideration and notes payable. The acquisition of this firm, with office locations in Philadelphia, Pennsylvania, and New York, New York, strengthened the Company's expertise in project management, planning, architecture, and interior design, especially in the healthcare industry.

During 2009, the Company adjusted the purchase prices on the Dunlop Architects Inc.; the Vollmer Associates LLP; the Neill and Gunter Limited; the Neill and Gunter (Nova Scotia) Limited; the Fuller, Mossbarger, Scott & May Engineers, Inc.; The Zande Companies, Inc.; the RHL Design Group, Inc.; the McIntosh Engineering Holdings Corporation; and the Murphy Hilgers Architects Inc. acquisitions pursuant to purchase price adjustment clauses included in the purchase agreements. These adjustments impacted non-cash working capital and notes payable.

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 2010 $**	Total 2009 $
Cash consideration	**79,256**	73,078
Notes payable	**34,635**	71,701
Purchase price	**113,891**	144,779
Assets and liabilities acquired at fair values		
Cash acquired	**12,267**	-
Bank indebtedness assumed	**(3,895)**	(4,596)
Non-cash working capital	**(12,911)**	25,917
Property and equipment	**13,660**	16,606
Investments	**1,493**	3,431
Goodwill	**99,629**	104,702
Other long-term assets	**5,806**	-
Intangible assets		
Client relationships	**13,119**	12,997
Contract backlog	**5,289**	10,756
Other	**195**	3,553
Other long-term liabilities	**131**	(2,706)
Non-controlling interest in subsidiaries	**83**	(186)
Long-term debt	**(15,883)**	(15,218)
Future income taxes	**(5,010)**	(6,036)
Capital lease obligations	**(82)**	(4,441)
Net assets acquired	**113,891**	144,779

Of the goodwill and intangible assets resulting from acquisitions completed in 2010, $25,494,000 (2009 –$11,643,000) 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 and costs to exit certain contractual obligations. These costs are accrued in other long-term liabilities or non-cash working capital as part of the purchase price allocation (note 9). Adjustments to the exit liabilities may impact goodwill. In 2010, the Company adjusted other long-term liabilities and non-cash working capital and impacted goodwill for the Jacques Whitford, NRC, WilsonMiller, Inc., IEA, and Anshen + Allen acquisitions.

3 . Property and Equipment

	2010		2009	
(In thousands of Canadian dollars)	**Cost $**	**Accumulated Depreciation $**	Cost $	Accumulated Depreciation $
Engineering equipment	**84,690**	**49,503**	75,541	44,307
Office equipment	**44,644**	**25,631**	42,270	22,861
Automotive equipment	**7,955**	**5,508**	7,123	4,850
Leasehold improvements	**69,327**	**23,449**	58,856	16,277
Assets under capital leases	**3,044**	**1,271**	2,295	935
Buildings	**9,451**	**1,715**	11,046	1,754
Land	**1,962**	**-**	2,109	-
	221,073	**107,077**	199,240	90,984
Net book value	**113,996**		108,256	

Included in leasehold improvements is construction work in progress in the amount of $363,971 (2009 –$1,646,000), on which depreciation has not started. The Company entered into capital leases for certain office and automotive equipment. The depreciation on assets under capital leases was $729,000 for 2010 (2009 –$688,000).

4 . Goodwill

(In thousands of Canadian dollars)	**2010 $**	2009 $
Goodwill, beginning of the year	**468,814**	446,818
Current year acquisitions	**100,505**	108,713
Impairment	**-**	(35,000)
Contingent consideration payments	**2,459**	2,324
Purchase price adjustments	**(3,335)**	(6,335)
Impact of foreign exchange	**(16,997)**	(47,706)
Goodwill, end of the year	**551,446**	468,814

Goodwill recognized from acquisitions includes factors such as the expertise and reputation of the assembled workforce acquired, the geographic location of the acquiree, and the expected synergies. In accordance with its accounting policies, the Company conducts an annual goodwill impairment test as of July 1, or more frequently if circumstances indicate that an impairment may occur. The Company allocates goodwill to its reporting units. In 2008 and the first quarter of 2009, these reporting units were defined as Canada, US West, and US East. Effective April 1, 2009, the reporting units were defined as Canada West, Canada East, US West, and US East. Reporting units are determined based on the way management organizes the Company for making operating decisions and assessing performance. The Company does not monitor goodwill at or allocate goodwill to its practice areas.

Management believes that the methodology used to test impairment of goodwill, which involves a significant number of judgments and estimates, provides a reasonable basis for determining whether an impairment has occurred. Many of the factors used in determining whether or not goodwill is impaired are outside management's control and involve inherent uncertainty. Therefore, actual results could differ from those estimated. As well, it is reasonably likely that assumptions and estimates will change in future periods and could have a significant impact on the fair value of a reporting unit, possibly resulting in future impairments.

Goodwill impairment testing is a two-step process. In the first step, the Company compares the fair values of its reporting units to their respective carrying values. The Company estimates fair value using market information and discounted after-tax cash flow projections, which is known as the income approach. The income approach uses a reporting unit's projection of estimated operating results and discounted cash flows based on a discount rate that reflects current market conditions. For its 2010 impairment test, the Company discounted its reporting units' cash flows using discount rates ranging from 9.7% to 11.5% (2009 – 10.5% to 12.0%). To arrive at cash flow projections, the Company used estimates of economic and market information over the projection period, including growth rates in revenues, costs, estimates of fu ture expected changes in operating margins, and cash expenditures. Other significant estimates and assumptions included terminal value growth rates, future estimates of capital expenditures, and changes in future working capital requirements.

The Company validates its estimate of the fair value of each reporting unit under the income approach by comparing the resulting multiples to multiples derived from comparable public company transactions or acquisition multiples on comparable private company transactions. The Company reconciles the total of the fair values of its reporting units with its market capitalization to determine if the sum of the individual fair values is reasonable. If the reconciliation indicates a significant difference between the external market capitalization and the fair values of the reporting units, the Company reviews and adjusts, if appropriate, the discount rates by reporting units and considers if the implied control premium is reasonable in light of current market conditions.

If the carrying value of a reporting unit is higher than its fair value, goodwill is potentially impaired and step two of the impairment test must be performed. In step two, the amount of the impairment is calculated by comparing the implied fair value of the reporting unit's goodwill to the carrying value of the goodwill. The implied fair value of the goodwill is calculated in the same manner as if the reporting unit were being acquired in a business combination. If the implied fair value of the goodwill is less than its carrying value, an impairment charge is recorded for the difference. The impairment charge is recorded as a reduction in the carrying value of the goodwill on the consolidated balance sheet and recognized as a non-cash impairment charge in income.

During the third quarter of 2010, based on the results of the annual impairment test, the Company concluded that the fair value of its four reporting units exceeded their carrying value and, therefore, goodwill was not impaired. The fair value of three of the reporting units exceeded their carrying value by a substantial amount, whereas the fair value of the US West reporting unit exceeded its carrying value by approximately 9.0%. As at July 1, 2010, the carrying value of the US West goodwill was $154.4 million, or 32.5%, of the consolidated goodwill balance.

If market and economic conditions deteriorate or if volatility in the financial markets causes declines in its stock price, increases the weighted average cost of capital, or changes valuation multiples or other inputs to its goodwill assessment, the Company may need to test its goodwill for impairment between its annual testing periods. In addition, it is possible that changes in the numerous variables associated with the judgments, assumptions, and estimates made by management in assessing the fair value of the Company's goodwill could cause its reporting units to be impaired. Goodwill impairment charges are non-cash charges that could have a material adverse effect on the Company's consolidated financial statements but in themselves do not have any adverse effect on its liquidity, cash flows from operating activities, or de bt covenants and will not have an impact on its future operations.

During the third quarter of 2009, the Company completed step one of the impairment test and determined that the US West reporting unit was impaired. The impairment was due to fluctuations in the market and uncertainties arising from overall economic conditions primarily relating to the Urban Land practice area, which comprised approximately 19% of the reporting unit's year-to-date gross revenue as at September 30, 2009, compared to approximately 60% for the same period in 2006 when economic conditions were favorable for the practice. Upon completion of step two of the impairment test, the Company determined that the goodwill of this reporting unit was impaired. A $35.0 million impairment charge was attributed to the US West reporting unit and reflected as a non-cash charge to income. As at September 30, 2009, after the impairment charge, the aggregate carrying value of the US West goodwill was $157.2 million, or 33.8% of the consolidated goodwill balance.

5 . Intangible Assets

	2010			2009	
(In thousands of Canadian dollars)	**Gross Carrying Amount $**	**Accumulated Amortization $**	**Impairment of Assets $**	Gross Carrying Amount $	Accumulated Amortization $
Client relationships	**72,102**	**20,188**	**703**	61,391	15,676
Contract backlog	**10,588**	**5,814**	**-**	11,048	5,349
Software	**21,938**	**6,362**	**-**	13,774	4,389
Other	**4,963**	**2,085**	**1,069**	4,764	1,408
	109,591	**34,449**	**1,772**	90,977	26,822
Carrying amount		**73,370**		64,155	

Once an intangible asset is fully amortized, the gross carrying amount and related accumulated amortization are removed from the accounts. Other than goodwill, the Company has not recorded any intangible assets with indefinite lives. Included in software are capital leases with a net book value of $10,744,000. Also included in software is $489,000 in internally generated software that is not ready for use and, therefore, is not being amortized. For intangible assets held as of December 31, 2010, the estimated aggregate amortization expense for each of the next five years and thereafter is as follows:

(In thousands of Canadian dollars)	$
2011	16,616
2012	10,019
2013	8,579
2014	7,931
2015	5,715
Thereafter	24,510
	73,370

In accordance with its accounting policies, the Company tests intangible assets for recoverability when events or a change in circumstances indicate that their carrying amount may not be recoverable. The determination of recoverability is based on an estimate of undiscounted cash flow, and the measurement of impairment loss is based on the amount that the carrying value of an intangible asset exceeds its fair value. As part of the impairment test, the Company updates its future cash flow assumptions and estimates, including factors such as current and future contracts with clients, margins, market conditions, and the useful lives of the assets.

During 2010, as a result of this review, the Company recorded a $1,772,000 non-cash impairment charge to income related to certain client relationships and a lease advantage. The impairment primarily reflected a decline in expected future cash flows from these clients and a reduction in the value of a favorable lease in the Company's New York, New York, office. The remaining carrying value of these specific client relationships, following this impairment charge, was $947,000. The carrying value of the favorable lease was reduced to zero.

During 2009, as a result of this review, the Company concluded that there was no impairment to intangible assets.

6 . Other Assets

(In thousands of Canadian dollars)	**2010** **$**	2009 $
Investments held for self-insured liabilities	**46,578**	38,418
Investments in associated companies	**2,831**	6,631
Investments – other	**4,489**	713
Holdbacks on long-term contracts	**5,966**	3,411
Assets held for sale	**3,385**	845
Other	**4,288**	5,659
	67,537	55,677
Less current portion	**8,750**	6,550
	58,787	49,127

Investments held for self-insured liabilities consist of government and corporate bonds and equity securities. These investments are classified as available for sale and are stated at fair value.

The fair value of the bonds at December 31, 2010, was $31,564,000 (2009 – $26,748,000), and the fair value of the equities was $15,014,000 (2009 – $11,670,00). The amortized cost of the bonds at December 31, 2010, was $31,002,000 (2009 – $26,250,000), and the cost of the equities was $13,040,000 (2009 – $11,556,000). The bonds bear interest at rates ranging from 1.43 % to 5.5% per annum (2009 – 2.625 % to 7.0%). The term to maturity of the bond portfolio, stated at fair value, is $3,433,000 (2009 – $3,780,000) due within one year, $28,131,000 (2009 – $22,968,000) due within two to five years, and nil due within five to seven years (2009 – nil). Interest earned on the bonds in 2010 was $1,016,0 00 (2009 – $860,000; 2008 – $962,000). The Company does not intend, nor is required, to sell these investments before the recovery of their cost or amortized cost basis.

Investments in associated companies are accounted for using the equity method and include Teshmont Consultants Inc. (50%), SSBV Consultants Inc. (33.3%), Planning & Stantec Limited (50%), CLFN-AXYS Limited Partnership (49%), Kavik-AXYS Inc. (24.5%), Fort Mckay-Stantec Evergreen Inc. (49%), Nunami Stantec Limited (49%), ADC-Stantec Inc. (49%), Neegan Naynowan Stantec LP (49%), and AIVEK Stantec Limited Partnership (49%).

On August 31, 2010, the Company sold its 30% equity investments in Fugro Jacques Geosurveys Inc. and Fugro Jacques N.V. for an aggregate price of $10,000,000, resulting in a $7,183,000 ($5,942,000 net of tax) gain on sale.

The Company is in the process of selling certain property and equipment. These assets meet the criteria for assets held for sale. Therefore, they are measured at the lower of their carrying value and fair value less costs to dispose and are no longer depreciated.

7. Accounts Payable and Accrued Liabilities

(In thousands of Canadian dollars)	**2010** **$**	2009 $
Trade accounts payable	**62,584**	63,204
Employee and payroll liabilities	**92,842**	77,582
Accrued liabilities	**36,680**	26,389
	192,106	167,175

8. Long-Term Debt

(In thousands of Canadian dollars)	**2010** **$**	2009 $
Non-interest-bearing note payable	**195**	177
Other notes payable	**86,432**	91,830
Bank loan	**220,217**	134,600
Capital lease obligations	**9,715**	7,590
	316,559	234,197
Less current portion	**47,265**	35,428
	269,294	198,769

The non-interest-bearing note payable is due November 1, 2027, in the amount of $933,000. The note's carrying value of $195,000 is determined using a discount rate of 9.75%. If the non-interest-bearing note payable was discounted at interest rates in effect at December 31, 2010, the fair value of the note would be $468,000 (2009 – $318,000).

The weighted average rate of interest on the other notes payable is 4.36% (2009 – 4.98%). The notes may be supported by promissory notes and are due at various times from 2011 to 2013. The aggregate maturity value of the notes is $86,451,000 (2009 – $91,895,000). As at December 31, 2010, $36,781,000 (2009 – $25,684,000) of the notes' carrying value was payable in US funds (2010 – US$36,981,000; 2009 – US$24,438,000). The carrying value of the other notes payable approximates their fair value based on interest rates in effect at December 31, 2010.

During the third quarter of 2010, the Company reached an agreement to increase the limit of its existing revolving credit facility from $300 million to $350 million and extended the maturity date to August 2013. This agreement also allows the Company access to an additional $75 million under the same terms and conditions on approval from its lenders. The facility is available for future acquisitions, working capital needs, and general corporate purposes. Depending on the form under which the credit facility is accessed, rates of interest will vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates, plus specified basis points. The specified basis points may vary, depending on the Company's level of consolidated debt to EBITDA (a non-GAAP measure), from 100 to 225 for Canadian prime and US base ra te loans and from 200 to 325 for bankers' acceptances, LIBOR loans, and letters of credit. As at December 31, 2010, $144,217,000 of the bank loan was payable in US funds (US$145,000,000), and $76,000,000 was payable in Canadian funds. As at December 31, 2009, $105,100,000 of the bank loan was payable in US funds (US$100,000,000), and $29,500,000 was payable in Canadian funds. Loans may be repaid under the credit facility from time to time at the option of the Company.

During 2008, the Company entered into an interest rate swap agreement that had the effect of converting the variable interest obligation associated with US$100 million of the credit facility, based on a LIBOR rate, into a fixed interest rate of 3.43%, plus an applicable basis points spread, until September 3, 2010 (note 12).

The average interest rate applicable at December 31, 2010, was 2.97%. Taking the effect of the interest rate swap into consideration, the average interest rate applicable at December 31, 2009, was 3.42%. The credit facility contains restrictive covenants (note 16). All the assets of the Company are held as collateral under a general security agreement for the bank loan.

The funds available under the revolving credit facility are reduced by any outstanding letters of credit. At December 31, 2010, the Company had issued and outstanding letters of credit totaling $4,736,000 (2009 –$141,000) payable in Canadian funds, $1,286,000 (US$1,293,000) (2009 – $1,882,000, US$1,791,000) payable in US funds, and $467,000 (QAR1,724,000) payable in Qatari rial funds that expire at various dates before January 2012. These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations and certain project work. At December 31, 2010, $123,294,000 (2009 – $163,377,000) was available in the revolving credit facility for future activities.

As at December 31, 2010, there were $142,000 (US$143,000) (2009 – $518,000, US$493,000) additional letters of credit outstanding payable in US funds and $5,000 (2009 – $114,000) payable in Canadian funds that were assumed from acquisitions. The Company also has a surety facility to facilitate, as part of the normal course of operations, the issuance of bonds for certain types of project work. As at December 31, 2010, $11,472,000 (US$11,535,000) (2009 – $11,470,000, US$10,913,000) in bonds had been issued under this surety facility.

As at December 31, 2010, the Company's capital lease obligations included capital leases bearing interest at rates ranging from 2.29% to 13.89%. These capital leases expire at various dates before April 2013. The interest incurred on capital lease obligations in 2010 was $444,000 (2009 – $220,000).

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)	$
2011	47,265
2012	39,756
2013	229,034
2014	54
2015	27
Thereafter	423
	316,559

The interest incurred on long-term debt in 2010 was $9,457,000 (2009 – $ 11,290,000; 2008 – $7,784,000).

9 . Other Liabilities

(In thousands of Canadian dollars)	**2010 $**	2009 $
Provision for self-insured liabilities	**33,372**	31,284
Deferred gain on sale leaseback	**4,441**	4,877
Lease inducement benefits	**23,434**	21,764
Liabilities on lease exit activities	**3,376**	6,171
Liability for uncertain tax positions	**1,473**	1,529
Interest on other notes payable	**5,746**	4,622
Derivative financial instruments *(note 12)*	**-**	2,427
Other	**9,363**	4,733
	81,205	77,407
Less current portion	**14,660**	13,558
	66,545	63,849

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 13). This provision for self-insured liabilities is based on the results of an actuarial review performed in 2010 and 2009, with the current and long-term portion determined based on the actuarial estimate. At December 31, 2010, the long-term portion was $30,256,000 (2009 – $29,424,000).

(In thousands of Canadian dollars)	**2010** **$**	2009 $
Provision, beginning of the year	**31,284**	30,265
Current year provision	**9,405**	9,443
Payment for claims settlement	**(6,294)**	(4,761)
Impact of foreign exchange	**(1,023)**	(3,663)
Provision, end of the year	**33,372**	31,284

The self-insured liability increased during 2010 primarily due to new claims incurred and reported since the end of 2009, offset by the impact of foreign exchange. 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, 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)	**2010** **$**	2009 $
Liability, beginning of the year	**6,171**	4,081
Current year provision:		
Established for existing operations	**914**	3,728
Resulting from acquisitions	**878**	1,677
Costs paid or otherwise settled	**(3,415)**	(3,755)
Adjustments to purchase price allocation	**(1,009)**	1,029
Impact of foreign exchange	**(163)**	(589)
Liability, end of the year	**3,376**	6,171

10. Non-controlling interest

As part of the Jacques Whitford acquisition in 2009, the Company acquired an 80% interest in I.R. Wilson Consultants Ltd. During 2010, the Company purchased the remaining 20% interest in I.R. Wilson Consultants Ltd. for cash consideration. The Company has a 75% interest in The National Testing Laboratories Limited (NTLL). A non-controlling interest in these subsidiaries represents the minority interest's share of the subsidiary's equity. Income earned by the non-controlling interest in these subsidiaries was nil during 2010. In 2009, the Company entered into an agreement whereby it commits to purchase in the future the non-controlling interests of NTLL over a period ending in 2014.

11. Commitments

The Company has entered into various commitments including commitments for annual basic premises rent under long-term leases, software support, and equipment and vehicle operating leases. The commitments for the next five years and thereafter are as follows:

(In thousands of Canadian dollars)		$
	2011	81,775
	2012	73,788
	2013	64,115
	2014	53,141
	2015	46,872
	Thereafter	148,396
		468,087

The premises rental expense for the year ended December 31, 2010, was $63,255,000 (2009 – $64,301,000; 2008 – $48,602,000). Sublease rental income for the year ended December 31, 2010, was $3,403,000 (2009 – $2,950,000; 2008 – $2,159,000). Commitments for future sublease revenue total $7,615,000.

12. Derivative Financial Instruments

As at December 2010, the Company had no foreign currency forward contract arrangements. As at December 31, 2009, the Company had entered into foreign currency forward contract arrangements that provided for the purchase of US$75,000,000 at rates ranging from 1.05310 to 1.05485 per US dollar maturing over the next month. These derivative financial instruments were entered into to mitigate the risk of foreign currency fluctuations on net operating assets denominated in US dollars. The fair value of these contracts, estimated using third-party market indications and forecasts as at December 31, 2009, was an unrealized loss of $270,000. The unrealized loss relating to these derivative financial instruments was recorded in income as a foreign exchange loss and in the consolidated balance sheet as other liabilities.

During 2008, the Company entered into a US$100 million interest rate swap agreement that matured on September 3, 2010. This swap agreement had the effect of converting the variable interest rate on US$100 million of the Company's revolving credit facility, based on a LIBOR rate, into a fixed interest rate of 3.43%, plus an applicable basis points spread. The fair value of the interest rate swap, estimated using third-party market indicators and forecasts at December 31, 2009, was an unrealized loss of $2,157,000 ($1,531,000 net of tax). The Company designated the swap as a cash flow hedge against its revolving credit facility; therefore, the unrealized loss relating to this derivative financial instrument was recorded in other comprehensive income and in the consolidated balance sheet as other liabilities. The hedging relationship was effective from the date of entering into the swap to September 3, 2010.

13. Contingencies and Guarantees

In the normal conduct of operations, various legal claims are pending against the Company alleging, among other things, breaches of contract or negligence in connection with the performance of consulting services. The Company carries professional liability insurance, subject to certain deductibles and policy limits, and has a captive insurance company that provides insurance protection against such claims. In some cases, parties are seeking damages that substantially exceed the Company's insurance coverage. Based on advice and information provided by legal counsel, the Company's previous experience with the settlement of similar claims, and the results of the annual actuarial review, management believes that the Company has recognized adequate provision for probable and reasonably estimable liabilities associated with these claims a nd that their ultimate resolution will not materially exceed insurance coverages or have a material adverse effect on the Company's consolidated financial position or annual results of operations. Management cannot estimate the extent to which losses exceeding those already recorded in the financial statements may be incurred.

During 2009, the Company issued a guarantee, up to a maximum of US$60 million, for project work with the US federal government. If the guarantee is exercised, the Company has recourse to its insurers, subject to certain deductibles, policy terms, and limits, to recover claims costs and damages arising from errors or omissions in professional services. This guarantee remained outstanding in 2010, but the Company did not make any payments under this guarantee, and no amounts were accrued in the consolidated financial statements with respect to the guarantee.

In the normal course of business, the Company provides indemnifications and, in very limited circumstances, surety bonds. These are often standard contractual terms and are provided to counterparties in transactions such as purchase and sale contracts for assets or shares, service agreements, and leasing transactions. The Company also indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. These indemnifications may require the Company to compensate the counterparty for costs incurred as a result of various events, including changes in or in the interpretation of laws and regulations, or as a result of legal claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of the se 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.

14 . 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 2010, 198,300 (2009 – nil; 2008 – 351,400) common shares were repurchased for cancellation pursuant to an ongoing normal course issuer bid at a cost of $4,887,000 (2009 – nil; 2008 – $8,914,000). Of this amount, $965,000 and $59,000 (2009 – nil; 2008 – $1,688,000 and $58,000) reduced the share capital and contributed surplus accounts, respectively, with $3,863,000 (2009 – nil; 2008 – $7,168,000) being charged to retained earnings.

During 2010, the Company recognized a stock-based compensation expense of $2,822,000 (2009 – $3,985,000; 2008 – $5,118,000) in administrative and marketing expenses. Of the amount expensed, $1,889,000 related to the fair value of options granted (2009 – $3,028,000; 2008 – $4,887,000), $933,000 related to deferred share unit

compensation (2009 – $957,000; 2008 – $120,000), and nil related to the restricted shares issued on the Keith acquisition (2009 – nil; 2008 – $111,000). 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.

During 2010, the Company renewed its normal course issuer bid with the Toronto Stock Exchange, which enables it to purchase up to 2,287,166 common shares during the period of June 1, 2010, to May 31, 2011.

During 2010, the Company filed a short-form base shelf prospectus with all securities regulatory authorities in Canada. The Company concurrently filed a shelf registration statement in the United States on Form F-10, which was effective upon filing in definitive form. Pursuant to the prospectus, the Company may issue up to $300 million in common shares from time to time during a 25-month period effective May 6, 2010, by way of one or more prospectus supplements. During 2010, no common shares were issued pursuant to the prospectus.

Share options

Under the Company's share option plan, options to purchase common shares may be granted by the Board of Directors to officers and employees. Options are granted at exercise prices equal to or greater than fair market value at the issue date, generally vest evenly over a three-year period, and have contractual lives that range from 7 to 10 years. The aggregate number of common shares reserved for issuance that may be purchased upon the exercise of options granted pursuant to the plan shall not exceed 4,487,026 common shares. At December 31, 2010, 1,835,566 options were available for issue.

The Company has granted share options to officers and employees to purchase 1,480,831 shares at prices between $10.80 and $30.61 per share. These options expire on dates between January 3, 2012, and August 18, 2015.

	2010		2009		2008	
	Shares #	**Weighted Average Exercise Price $**	Shares #	Weighted Average Exercise Price $	Shares #	Weighted Average Exercise Price $
Share options, beginning of the year	**1,752,298**	**22.65**	2,061,828	20.97	1,751,022	18.32
Granted	**-**	**-**	-	-	480,000	29.40
Exercised	**(249,800)**	**12.19**	(268,697)	8.73	(97,860)	12.25
Forfeited	**(10,838)**	**29.59**	(30,837)	29.34	(58,502)	24.86
Cancelled	**(10,829)**	**29.77**	(9,996)	30.21	(12,832)	22.87
Share options, end of the year	**1,480,831**	**24.31**	1,752,298	22.65	2,061,828	20.97

The options held by officers and employees at December 31, 2010, 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 $
10.80 – 13.55	**300,665**	**1.39**	**12.35**	**300,665**	**1.39**	**12.35**
20.37 – 20.42	**323,500**	**2.65**	**20.39**	**323,500**	**2.65**	**20.39**
29.40 – 30.61	**856,666**	**4.14**	**29.99**	**710,732**	**4.04**	**30.11**
10.80 – 30.61	**1,480,831**	**3.26**	**24.31**	**1,334,897**	**3.11**	**23.76**

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 at the share market price on the grant date was determined using the weighted average assumptions indicated below. No options were granted in 2010 and 2009.

	2008
Risk-free interest rate (%)	3.09
Expected hold period to exercise (years)	5.5
Volatility in the price of the Company's shares (%)	29.6
We ighted average fair value per option ($)	9.82

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, 2010, 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	**444,316**	**10.08**
Vested	**(287,544)**	**10.22**
Forfeited	**(10,838)**	**9.95**
Non-vested share options, end of the year	**145,934**	**9.82**

As of December 31, 2010, 145,934 options remained unvested, and a total unrecognized compensation cost of $303,000 was related to the Company’s share option plans. This cost is expected to be recognized over a weighted average period of 0.63 years.

For all outstanding options at December 31, 2010, the aggregate intrinsic value was $5,062,000. For fully vested share options and share options outstanding at December 31, 2010, that are expected to vest in the future, the aggregate intrinsic value was $5,080,000. For options exercisable at December 31, 2010, the intrinsic value at December 31, 2010, was $5,306,000. The total intrinsic value of options exercised during the years ended December 31, 2010, 2009, and 2008, was $3,764,000, $5,181,000, and $1,910,000, respectively.

Deferred share units

Under the Company's deferred share unit plan, the chief executive officer (CEO) and directors of the board of the Company may receive deferred share units equal to one common share. These units are paid out to the CEO and directors of the board of the Company upon their death or retirement, or, in the case of the CEO, on termination, in the form of cash and are valued at the weighted-by-volume average of the closing market price of the Company's common shares for the last 10 trading days of the month of death, retirement, or termination. Deferred share units cannot be paid in the form of Company shares. In 2010, no deferred share units were paid (2009 – $428,000; 2008 – $464,000). These units are recorded at fair value based on the weighted-by-volume average closing market price of the Company's common shares for the last 10 trading days of the period end date. As at December 31, 2010, 118,005 units were outstanding (2009 – 78,472; 2008 – 60,800) with an intrinsic value of $3,294,000 (2009 – $2,361,000; 2008 – $1,833,000).

Restricted shares

In 2005, the former shareholders of Keith received restricted shares in connection with its acquisition. These restricted shares vested over a period ending April 1, 2008. Upon the vesting of the restricted shares, common shares were issued. As at December 31, 2010, 2009, and 2008, no restricted shares were outstanding.

15. Financial Instruments

The Company classifies its financial instruments as follows:

- Cash and cash equivalents are classified as financial assets held for trading and are recorded at fair value, with realized and unrealized gains and losses reported in income.
- Accounts receivable are classified as receivables and are initially accounted for at fair value and subsequently adjusted for any allowance for doubtful accounts, with realized gains and losses reported in income.
- Investments held for self-insured liabilities are classified as financial assets available for sale and are recorded at fair value, with accumulated unrealized gains and losses reported in other comprehensive income until disposed of, at which time the realized gains and losses are recognized in income.
- Accounts payable and accrued liabilities, bank indebtedness, and long-term debt are classified as other financial liabilities and are initially recorded at fair value and subsequently recorded at amortized cost using the effective interest rate method, with realized gains and losses reported in income.
- Derivative other assets and liabilities are classified as held for trading and are accounted for at fair value, with realized and unrealized gains and losses reported in income unless the derivative qualifies and is designated as an effective cash flow hedge, in which case unrealized gains and losses are recorded in other comprehensive income.

Fair Value

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 except for transaction costs incurred on the renewal of a revolving credit facility, which are deferred and amortized over the life of the facility. 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 derivatives are based on third-party indicators and forecasts. The fair values of cash and cash equivalents, accounts receivable, and accounts payable

and accrued liabilities approximate their carrying values because of the short-term maturity of these instruments. The carrying value of bank loans approximates their 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 consolidated financial statements.

CICA Handbook Section 3862 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

In forming estimates, the Company uses the most observable inputs available for valuation purposes. If a fair value measurement reflects inputs of different levels within the hierarchy, the financial instrument is categorized based on the lowest level of significant input.

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2010, and December 31, 2009.

(In thousands of Canadian dollars)	**Carrying Amount of Asset at December 31, 2010** **$**	**Quoted Prices in Active Markets for Identical Items (Level 1)** **$**	**Significant Other Observable Inputs (Level 2)** **$**	**Significant Unobservable Inputs (Level 3)** **$**
Assets:				
Investments held for self-insured liabilities	**46,578**	**46,578**	**-**	**-**

(In thousands of Canadian dollars)	Carrying Amount of Asset/Liability at December 31, 2009 $	Quoted Prices in Active Markets for Identical Items (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Assets:				
Investments held for self-insured liabilities	38,418	38,418	-	-
Liabilities:				
Foreign currency forward contracts	270	-	270	-
Interest rate swap	2,157	-	2,157	-
	2,427	-	2,427	-

Investments held for self-insured liabilities are measured based on active market prices for identical bonds and equity securities. Forward contracts are determined based on the estimated cash payment or receipt necessary to settle the contract. Cash payments or receipts are based on discounted cash flow analysis using current market rates and prices. The valuation of the interest rate swap is based on similar transactions observable in active markets or industry standard models that primarily rely on market observable inputs.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, derivative financial instruments, investments held for self-insured liabilities, and accounts receivable. The Company's maximum amount of credit risk exposure is limited to the carrying amount of these financial instruments, which was $399,697,000 as at December 31, 2010 (2009 – $306,313,000).

The Company limits its exposure to credit risk by placing its cash and cash equivalents in and entering into derivative agreements with high-quality credit institutions. Investments held for self-insured liabilities include bonds and equities. The risk associated with bonds and equities is mitigated by the overall quality and mix of the Company's investment portfolio.

The Company maintains an allowance for estimated losses on accounts receivable. The estimate is based on the best assessment of the collectibility of the related receivable balance based, in part, on the age of the outstanding accounts receivable and on the Company's historical collection and loss experience. The following table provides a reconciliation of changes to the Company's allowance for doubtful accounts:

Allowance for doubtful accounts

(In thousands of Canadian dollars)	**2010** **$**	2009 $	2008 $
Balance, beginning of the year	**9,395**	11,597	10,508
Provision for doubtful accounts	**5,915**	17,151	22,508
Deductions	**(6,892)**	(17,734)	(23,702)
Impact of foreign exchange	**(385)**	(1,619)	2,283
Balance, end of the year	**8,033**	9,395	11,597

Accounts receivable assumed from acquired companies are recognized at their fair value at the time of acquisition.

The Company mitigates the risk associated with accounts receivable by providing services to diverse clients in various industries and sectors of the economy. It does not concentrate its credit risk in any particular client, industry, economic, or geographic sector. In addition, management reviews accounts receivable past due on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds at an early stage. The Company monitors accounts receivable to an internal target of days of revenue in accounts receivable (a non-GAAP measure). At December 31, 2010, there were 63 days of revenue in accounts receivable (2009 – 59 days).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet obligations associated with its financial liabilities as they fall due. The Company meets its liquidity needs through a variety of sources, including cash generated from operations, long- and short-term borrowings from the $350 million credit facility, and the issuance of common shares. The unused capacity of the credit facility at December 31, 2010, was $123,294,000. The Company believes that internally generated cash flows, supplemented by borrowings and additional equity issues, if necessary, will be sufficient to cover its normal operating and capital expenditures as well as currently anticipated acquisition activity in 2011. Liquidity risk is managed according to the Company’s internal guideline of maintaining a net debt to equity ratio of less than 0.5 to 1 (note 16).

The timing of undiscounted cash outflows relating to financial liabilities as at December 31, 2010, is outlined in the table below:

(In thousands of Canadian dollars)	Total $	Less Than 1 Year $	1–3 Years $	After 3 Years $
Accounts payable and accrued liabilities	192,106	192,106	-	-
Long-term debt	317,315	47,280	268,847	1,188
Other long-term liabilities	13,846	6,226	2,853	4,767
Total financial liabilities	523,267	245,612	271,700	5,955

In addition to the financial liabilities listed in the table above, the Company will pay interest on the bank loan outstanding in future periods. Further information on long-term debt is included in note 8.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market rates of interest. The Company is subject to interest rate cash flow risk to the extent that its 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 include fixed-rate government and corporate bonds. The Company minimizes its exposure to floating rates of interest, when appropriate, by entering into interest rate swap agreements (note 12).

If the interest rate on the Company's loan balance at December 31, 2010, had been 0.5% higher, with all other variables held constant, net income would have decreased by $772,000 in the year. If the interest rate had been 0.5% lower, there would have been an equal and opposite impact on net income.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange gains or losses in the Company’s net income arise on the translation of foreign-denominated assets and liabilities (such as accounts receivable, accounts payable and accrued liabilities, and long-term debt) held in the Company’s Canadian operations and non-US-based foreign subsidiaries. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching US-dollar liabilities and, when appropriate, by entering into forward contracts to buy or sell US dollars in exchange for Canadian dollars (note 12).

If the exchange rates had been $0.01 higher or lower at December 31, 2010, with all other variables held constant, net income would have increased or decreased by approximately $31,000.

Foreign exchange fluctuations may also arise on the translation of the Company’s US-based subsidiaries and are recorded as cumulative translation adjustments in other comprehensive income. The Company does not hedge for this foreign exchange risk.

16. Capital Management

The Company's objective when managing capital is to provide sufficient capacity to cover normal operating and capital expenditures as well as acquisition growth while maintaining an adequate return for shareholders. The Company defines its capital as the aggregate of long-term debt (including the current portion) and shareholders' equity.

The Company manages its capital structure with the flexibility to adjust to changes in economic conditions and acquisition growth and to respond to interest rate, foreign exchange, credit, and other risks. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, or raise or retire debt.

The Company periodically monitors capital by maintaining the following ratio targets:

- Net debt to equity ratio below 0.5 to 1
- Return on equity (ROE) at or above 14%

These objectives are established on an annual basis and are monitored on a quarterly basis. The targets for 2010 remained unchanged from those for 2009.

Net debt to equity ratio, a non-GAAP measure, is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash and cash equivalents, divided by (2) shareholders' equity. The Company's net debt to equity ratio was 0.41 to 1 at December 31, 2010 (2009 – 0.41 to 1). Going forward, there may be occasions when the Company exceeds its target by completing acquisitions that increase its debt level above the target for a period of time.

ROE, a non-GAAP measure, is calculated as net income for the last four quarters, divided by average shareholders' equity over each of these quarters. The Company's ROE was 16.1% for the year ended December 31, 2010 (2009 – 10.1%).

The Company is subject to restrictive covenants related to its $350 million revolving credit facility that are measured on a quarterly basis. These covenants include, but are not limited to, debt to EBITDA ratio and EBITDAR to debt service ratio (non-GAAP measures). Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of the debt obligation. The Company was in compliance with all the covenants under this agreement as at and throughout the year ended December 31, 2010.

17. Accumulated Other Comprehensive Income (Loss)

(In thousands of Canadian dollars)	Currency Translation Adjustments $	Unrealized Gains (Losses) on Cash Flow Hedge $	Unrealized Gains (Losses) on Financial Assets $	Realized (Gains) Losses on Financial Assets Transferred to Net Income $	Total $
Balance, December 31, 2007	(70,513)	-	1,730	(245)	(69,028)
Current period activity	76,923	(4,218)	(3,706)	(152)	68,847
Income tax effect	-	1,244	65	3	1,312
Balance, December 31, 2008	6,410	(2,974)	(1,911)	(394)	1,131
Current period activity	(57,248)	2,061	2,739	223	(52,225)
Income tax effect	-	(618)	(48)	(4)	(670)
Balance, December 31, 2009	(50,838)	(1,531)	780	(175)	(51,764)
Current period activity	**(18,981)**	**2,157**	**1,653**	**270**	**(14,901)**
Income tax effect	-	**(626)**	**(29)**	**(4)**	**(659)**
Balance, December 31, 2010	**(69,819)**	**-**	**2,404**	**91**	**(67,324)**

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 0.9946 (2009 –1.0510; 2008 – 1.2180).

The unrealized gains (losses) on cash flow hedge represent the unrealized gain or loss on the Company's interest rate swap agreement (note 12). The interest rate swap agreement expired on September 3, 2010.

The unrealized gains (losses) on financial assets represent the change in the fair values of investments held for self-insured liabilities (note 6).

18. 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:

	2010	2009	2008
	%	%	%
Income tax expense at statutory Canadian rates	**29.2**	30.4	31.2
Increase (decrease) resulting from:			
Impairment of goodwill	**-**	10.8	24.8
Income from associated companies	**(0.3)**	(0.5)	-
Rate differential on foreign income	**(0.9)**	(1.0)	(0.1)
Taxable capital gains	**3.8**	-	-
Non-deductible expenses:			
Meals and entertainment	**0.9**	1.0	1.1
Stock-based compensation	**0.3**	0.7	1.0
Non-taxable foreign income net of non-creditable withholding taxes	**(2.8)**	(3.0)	(2.9)
Other	**(0.3)**	0.6	(0.1)
	29.9	39.0	55.0

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:

(In thousands of Canadian dollars)	**2010** **$**	2009 $	2008 $
Domestic	**151,533**	131,503	128,225
Foreign	**(18,017)**	(39,837)	(63,726)
Total income before income taxes	**133,516**	91,666	64,499

The details of the income tax expense (recovery) are as follows:

(In thousands of Canadian dollars)	**2010** **$**	2009 $	2008 $
Current: Domestic	**41,562**	40,425	41,329
Foreign	**867**	1,174	(116)
Total current expense	**42,429**	41,599	41,213
Future: Domestic	**(1,560)**	(3,267)	(133)
Foreign	**(948)**	(2,606)	(5,598)
Total future recovery	**(2,508)**	(5,873)	(5,731)
Total: Domestic	**40,002**	37,158	41,196
Foreign	**(81)**	(1,432)	(5,714)
Total income tax expense	**39,921**	35,726	35,482

Significant components of the Company's future income tax assets and liabilities are as follows:

(In thousands of Canadian dollars)	**2010** **$**	2009 $
Future income tax assets		
Differences in timing of deductibility of expenses	**22,341**	21,363
Loss carryforwards	**9,581**	13,680
Share issue and other financing costs	**28**	47
Tax cost of property and equipment in excess of carrying value	**2,458**	1,049
Deferred gain on sale of building	**585**	747
Other	**2,462**	2,572
	37,455	39,458
Less current portion	**16,059**	15,518
	21,396	23,940

(In thousands of Canadian dollars)	**2010** **$**	2009 $
Future income tax liabilities		
Cash to accrual adjustments on acquisitions of US subsidiaries	**5,402**	2,266
Differences in timing of taxability of revenues	**7,766**	9,202
Carrying value of property and equipment in excess of tax cost	**6,455**	6,668
Carrying value of intangible assets in excess of tax cost	**24,099**	23,262
Other	**2,870**	3,781
	46,592	45,179
Less current portion	**15,843**	15,643
	30,749	29,536

At December 31, 2010, loss carryforwards of approximately $3,420,000 are available to reduce the taxable income of certain Canadian subsidiaries. These losses expire as set out below:

(In thousands of Canadian dollars)	$
2030	1,959
2029	335
2028	34
2027	719
2026	71
pre 2016	302
	3,420

In addition, the Company has federal loss carryforwards of approximately $19,501,000 (US$19,607,000) that are available to reduce the taxable income of certain US subsidiaries and that expire at varying times over the next 20 years. The Company also has loss carryforwards of approximately $2,730,000 that are available to reduce the taxable income of certain other foreign subsidiaries that have no expiry date.

The potential income tax benefits that will result from the application of Canadian, US, and other foreign tax losses have been recognized in these consolidated financial statements.

19. Earnings Per Share

The number of basic and diluted common shares outstanding, as calculated on a weighted average basis, is as follows:

	2010	2009	2008
	$	$	$
Basic shares outstanding	**45,690,555**	45,544,688	45,584,612
Share options (dilutive effect of 624,165 options; 2009 – 1,329,798; 2008 – 1,621,828)	**210,440**	276,927	472,107
Restricted shares (dilutive effect of nil restricted shares; 2009 – nil ; 2008 – nil)	**-**	-	562
Diluted shares outstanding	**45,900,995**	45,821,615	46,057,281

At December 31, 2010, 856,666 (2009 – 422,500; 2008 – 440,000) options were antidilutiveand therefore were not considered in computing diluted earnings per share.

20. Cash Flows From Operating Activities

Cash flows from operating activities determined by the indirect method are as follows:

(In thousands of Canadian dollars)	**2010**	2009	2008
	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year	**93,595**	55,940	29,017
Add (deduct) items not affecting cash:			
Depreciation of property and equipment	**24,402**	24,547	21,820
Amortization of intangible assets	**17,599**	19,820	14,264
Impairment of goodwill and intangible assets	**1,772**	35,000	58,369
Future income tax	**(2,508)**	(5,873)	(5,731)
Loss (gain) on dispositions of investments and property and equipment	**586**	2,520	(520)
Gain on sale of equity investments *(note 6)*	**(7,183)**	-	-
Stock-based compensation expense *(note 14)*	**2,822**	3,985	5,118
Provision for self-insured liability *(note 9)*	**9,405**	9,443	12,470
Share of income from equity investments	**(2,209)**	(3,690)	(160)
Dividends from equity investments	**2,852**	1,283	150
Other non-cash items	**(5,019)**	(9,446)	(3,445)
	136,114	133,529	131,352
Change in non-cash working capital accounts:			
Accounts receivable	**11,586**	37,298	23,987
Costs and estimated earnings in excess of billings	**(1,268)**	(8,486)	21,305
Prepaid expenses	**3,858**	(1,953)	2,499
Accounts payable and accrued liabilities	**(21,793)**	(49,800)	(20,088)
Billings in excess of costs and estimated earnings	**(13,175)**	6,522	2,728
Income taxes payable/recoverable	**(538)**	(17,133)	(1,753)
	(21,330)	(33,552)	28,678
Cash flows from operating activities	**114,784**	99,977	160,030

21. Joint Ventures

The Company participates in joint ventures with other parties as follows:

	Percentage Owned		
	2010	2009	2008
	%	%	%
yyC.T. Joint Venture	**17**	17	17
Stantec – S&L Partnership	**n/a**	n/a	50
Edmonton International Airports Joint Venture	**n/a**	n/a	33
Dunlop Joint Ventures	**53**	50–53	33–68
Stantec Architecture Ltd./J.L. Richards & Associates Joint Venture	**50**	50	50
Stantec/Parkin Joint Venture	**n/a**	n/a	67
Smith/Chong Joint Venture	**50**	50	50
Coleson Power Group Inc.	**50**	50	50
ACCENT Engineering Consultants Incorporated	**40**	40	40
FFEB JV, L.L.C.	**30**	30	30
Carter Burgess/FMSM Engineers JV	**50**	50	50
Hatch McIntosh Alliance Joint Venture	**50**	50	50
Kuwabara Payne McKenna Blumberg (KPMB)	**50**	50	50
HNTB Joint Venture	**50**	50	n/a
STARR	**15**	15	n/a
EM&I Stantec Ltd.	**50**	50	n/a
Stassinu Stantec Limited Partnership	**49**	49	n/a
Granary/Driscoll Joint Venture	**50**	50	n/a
INCA/FMSM	**50**	n/a	n/a

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 1 remaining active at December 31, 2010 (2009 – 2 were active; 2008 – 5 were active). These joint ventures are included in the above table under Dunlop Joint Ventures.

A summary of the assets, liabilities, revenues, expenses, and cash flows included in the consolidated financial statements related to joint ventures (before intercompany eliminations) is as follows:

	2010	2009	2008
(In thousands of Canadian dollars)	**$**	$	$
Statements of income			
Gross revenue	**24,000**	32,757	25,827
Subcontractor costs and other direct expenses	**21,193**	27,753	24,524
Administrative and marketing expenses	**1,533**	2,533	911
Income taxes	**73**	-	-
Net income for the year	**1,201**	2,471	392
Balance sheets			
Current assets	**7,665**	9,458	12,649
Current liabilities	**5,922**	7,753	12,120
Statements of cash flows			
Cash flows from (used in) operating activities	**(817)**	1,707	(547)

22. Segmented Information

The Company provides comprehensive professional services in the area of infrastructure and facilities throughout North America and internationally. It considers the basis on which it is organized, including geographic areas and service offerings, in identifying its reportable segments. Operating segments of the Company are defined as components of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker is the chief executive officer of the Company, and the Company's operating segments are based on its regional geographic areas.

The Company has four operating segments, consisting of Canada West, Canada East, US West, and US East, which are aggregated into the Consulting Services reportable segment.

Geographic information	**Property and Equipment, Goodwill, Intangible Assets**	
	2010	2009
(In thousands of Canadian dollars)	**$**	$
Canada	**313,269**	306,718
United States	**425,236**	334,031
International	**307**	476
	738,812	641,225

Geographic information	**Gross Revenue**		
	2010	2009	2008
(In thousands of Canadian dollars)	**$**	$	$
Canada	**887,103**	861,905	649,465
United States	**596,569**	631,091	677,545
International	**29,390**	26,869	24,941
	1,513,062	1,519,865	1,351,951

Gross revenue is attributed to countries based on the location of the project.

Practice area information	**Gross Revenue**		
	2010	2009	2008
(In thousands of Canadian dollars)	**$**	$	$
Consulting Services			
Buildings	**333,217**	300,549	305,936
Environment	**601,845**	642,367	390,016
Industrial	**221,093**	226,177	217,722
Transportation	**189,294**	181,989	172,313
Urban Land	**167,613**	168,783	265,964
	1,513,062	1,519,865	1,351,951

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.

23. Employee Future Benefits

In 2010, the Company recorded an expense of $21,983,000 (2009 – $23,548,000; 2008 – $19,034,000) for contributions made to defined contribution plans in the year.

24. Investment Tax Credits

Investment tax credits arising from qualifying scientific research and experimental development efforts pursuant to existing tax legislation are recorded as a reduction of the applicable administrative and marketing expenses when there is reasonable assurance of their ultimate realization. In 2010, investment tax credits of $1,161,000 (2009 –$1,555,000; 2008 – $1,260,000) were recorded and reduced administrative and marketing expenses.

25. US GAAP

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with accounting principles generally accepted in Canada. 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) Reconciliation to US GAAP

i) Business combinations

There were no identifiable material items that resulted in a change in net income presented under Canadian GAAP and US GAAP except for transactions accounted for as business combinations in 2010. This difference arose on the adoption of the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 141R, "Business Combinations" (Accounting Standards Codification [ASC] 805-10/SFAS 141R), which impacted the accounting for the Jacques Whitford and Granary acquisitions in 2009 and for the PCGI, Tetr*ES*, IEA, WilsonMiller, Inc., NRC, CommArts, ECO:LOGIC, Anshen + Allen, Street Smarts, and Burt Hill acquisitions in 2010 (note 2). The Company integrates the operations and systems of acquired entities shortly after the acquisition date; therefore , it is impracticable for the Company to disclose the acquired entity's revenue and earnings in its consolidated financial statements since the acquisition date.

Condensed consolidated statement of income using US GAAP

(In thousands of Canadian dollars)		**2010** **$**	2009 $
Net income, as reported under Canadian GAAP		**93,595**	55,940
Add (deduct) adjustments to arrive at US GAAP:			
Lease exit costs (1)		**57**	(3,220)
Acquisition-related costs (3)		**(2,591)**	(2,167)
Income taxes (6)		**960**	1,829
Net income, based on US GAAP		**92,021**	52,382
Earnings per share: basic	– Canadian GAAP net income	**2.05**	1.23
	– US GAAP net income	**2.01**	1.15
Earnings per share: diluted	– Canadian GAAP net income	**2.04**	1.22
	– US GAAP net income	**2.00**	1.14

Consolidated balance sheet items using US GAAP

(In thousands of Canadian dollars)	**2010** **$**	2009 $
Add (deduct) adjustments to arrive at US GAAP balance sheet:		
Goodwill (1, 2, 3, and 5)	**(4,770)**	(3,301)
Future income tax assets (short term) (6)	**(907)**	(217)
Other assets (4)	**1,623**	1,623
Accounts payable and accrued liabilities (3)	**(400)**	(29)
Other liabilities (current) (1 and 3)	**(1,778)**	(829)
Long-term debt (long term) (2)	**200**	134
Other liabilities (long term) (1 and 4)	**1,623**	1,623
Non-controlling interest (5)	**(103)**	(186)

Shareholders' equity using US GAAP

Shareholders' equity under Canadian GAAP	**625,475**	547,394
Lease exit costs (1)	**(3,163)**	(3,220)
Acquisition-related costs (3)	**(4,758)**	(2,167)
Income taxes (6)	**2,789**	1,829
Non-controlling interest (5)	**1,536**	950
Shareholders' equity based on US GAAP	**621,879**	544,786

(1) **Lease exit costs.** Per ASC 805-10/SFAS 141R, the postacquisition exit/restructuring plans of the acquiring company are expensed in the income statement as incurred. Under Canadian GAAP, many of these costs are recognized as liabilities in the purchase price allocation and impact goodwill.

(2) **Contingent consideration.** Per ASC 805-10/SFAS 141R, the Company is required to recognize contingent consideration at the date of acquisition, based on the fair value at that date, as a liability or equity depending on its nature. The remeasurement of the liability each quarter-end impacts earnings until the liability is settled. Under Canadian GAAP, a liability for contingent consideration is only recognized at the date of acquisition when the amount is determinable; therefore, contingent consideration is generally recognized when the contingency is resolved and the consideration becomes payable.

(3) **Acquisition-related costs.** Per ASC 805-10/SFAS 141R, the acquirer accounts for acquisition-related costs as expenses in the period in which the costs are incurred. Under Canadian GAAP, incremental costs incurred as a result of a business combination are recognized as costs of the business combination and impact goodwill.

(4) **Indemnifications.** Per ASC 805-10/SFAS 141R, if a seller contractually indemnifies the acquirer for the outcome of a contingency, the acquirer must recognize an indemnification asset at the same time and on the same basis that it recognizes the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnified item is recognized at the acquisition date at its acquisition-date fair value, the acquirer must also recognize the indemnification asset at its acquisition-date fair value. There is no similar requirement under Canadian GAAP. Pursuant to the Jacques Whitford acquisition, the acquiree indemnified the Company up to a maximum of $1,623,000 for certain legal claims. The full $1,623,000 was recorded as an asset and liability in the above table since it was management's best estimate of the potential future payment.

(5) **Non-controlling interest.** ASC 805-10/SFAS 141R requires the non-controlling interest in an acquiree to be measured at fair value. Under Canadian GAAP, the non-controlling interest's percentage of net assets acquired is recorded at its existing carrying value. ASC 805-10/SFAS 141R records non-controlling interests in shareholders' equity on the balance sheet, whereas Canadian GAAP records non-controlling interest between liabilities and shareholder's equity.

(6) **Income taxes.** Income taxes reflect the tax effect of the differences identified above.

ii) Business acquisitions—pro forma data (unaudited)

The following unaudited pro forma data presents information as if the acquisitions of Granary; PCGI; Tetr *ES*; IEA; WilsonMiller, Inc.; NRC; CommArts; ECO:LOGIC; Anshen + Allen; Street Smarts; and Burt Hill occurred on January 1, 2009. This unaudited pro forma data is provided for information purposes only and is based on historical information. This data does not necessarily reflect the actual results of operations that would have occurred if these acquired entities and the Company had comprised a single entity during the periods since January 1, 2009, nor is it necessarily indicative of the future results of the operations of the combined entities.

(In thousands of Canadian dollars)	**2010** **$**	2009 $
		(Unaudited)
Pro forma gross revenue	**1,692,132**	1,873,577
Pro forma net revenue	**1,337,272**	1,466,061
Pro forma net income	**98,671**	63,637
Basic pro forma earnings per share	**2.16**	1.40
Diluted pro forma earnings per share	**2.15**	1.39

iii) Liabilities for uncertain tax positions

On January 1, 2007, the Company implemented FASB Interpretation No. 48, "Accounting for Uncertain Income Taxes" (ASC 740-10/FIN 48). The Company files income tax returns in the Canadian federal jurisdiction, US federal jurisdiction, and various provinces, states, and foreign jurisdictions. With few exceptions, it 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 2005.

(In thousands of Canadian dollars)	**2010** **$**	2009 $
Balance, beginning of the year	**1,529**	1,725
Additions based on tax positions related to the current year	**205**	159
Additions based on tax positions related to the prior year	**-**	-
Reductions for tax positions of prior years	**(194)**	(181)
Impact of foreign exchange	**(67)**	(174)
Balance, end of the year	**1,473**	1,529

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, 2010, the Company recognized approximately $87,000 (2009 –$103,000) in interest and penalties [$72,000 (2009 – $82,000) net of tax]. The Company had approximately $526,000 (2009 – $515,000) [$436,000 (2009 – $409,000) net of tax] for the payment of interest and penalties accrued at December 31, 2010.

Approximately $1,473,000 (2009 – $1,529,000) of unrecognized tax benefits, if recognized, would impact the Company's effective tax rate.

The Company does not anticipate that the total unrecognized tax benefit will significantly change within the next 12 months.

iv) Fair value of non-financial assets and liabilities

The requirements for fair value disclosures for financial assets and liabilities are the same under Canadian and US GAAP. These disclosures are discussed in note 15.

The following table presents the Company's fair value hierarchy for non-financial assets measured at fair value on a non-recurring basis as of December 31, 2010, and December 31, 2009.

(In thousands of Canadian dollars)	Carrying Amount of Asset $	Quoted Prices in Active Markets for Identical Items (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Assets:				
Goodwill				
December 31, 2009	468,814	-	-	468,814
December 31, 2010	**551,446**	-	-	**551,446**
Intangibles				
December 31, 2009	64,155	-	-	64,155
December 31, 2010	**73,370**	-	-	**73,370**

Goodwill is evaluated for impairment annually or when events or circumstances occur that are more likely than not to reduce the fair value of a reporting unit below its carrying value. An impairment charge of $35.0 million was recorded in the third quarter of 2009. See note 4 for further details on goodwill.

Intangible assets are evaluated for impairment annually or when events or circumstances occur that are more likely than not to reduce their fair value below their carrying value. An impairment charge of $1.8 million was recorded in the second quarter of 2010. For further details on intangible assets, see note 5.

v) Derivative financial instruments

The following table presents the fair values of derivative instruments in the Company's consolidated balance sheet as at December 31, 2009. There were no derivative instruments in the Company's consolidated balance sheet as at December 31, 2010.

(In thousands of Canadian dollars)	Fair Values of Liability Derivative Instruments as at December 31, 2009	
	Balance Sheet Location	Fair Value $
Derivative designated as cash flow hedge		
Interest rate swap	Other liabilities	2,157
Derivatives not designated as hedging instruments		
Foreign currency forward contracts	Other liabilities	270

The following table presents the effect of derivative instruments on comprehensive income for the years ended December 31, 2010, and December 31, 2009. No amount of gains or losses relating to derivative instruments were reclassified from accumulated other comprehensive income (OCI) to income in 2010 and 2009.

(In thousands of Canadian dollars)

		(Gain) Loss Recognized in OCI on Derivative (Effective Portion) $
Derivative designated as cash flow hedge		
Interest rate swap (net of tax) – December 31, 2009		(1,443)
Interest rate swap (net of tax) – December 31, 2010		**(1,531)**

		(Gain) Loss Recognized in Income on Derivatives
	Location	**$**
Derivatives not designated as hedging instruments		
Foreign currency forward contracts – December 31, 2009	Foreign exchange losses	10,206
Foreign currency forward contracts – December 31, 2010	Foreign exchange losses	**2,098**

b) Recently adopted accounting pronouncements

Effective February 2010, the Company adopted FASB Accounting Standards Update (ASU) No. 2010-09, "Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements" (ASU 2010-09). This ASU requires an entity that is an SEC filer to evaluate subsequent events through the date that its financial statements are issued and eliminates the requirement to disclose the date through which subsequent events have been evaluated. ASU 2010-09 was effective upon issuance. The prospective adoption of this standard has had no effect on the Company's financial position or results of operations other than eliminating the disclosure of the date through which subsequent events have been evaluated.

Effective January 1, 2010, the Company adopted FASB ASU No. 2009-17, "Consolidations (Topic 810)—Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities" (ASU 2009-17), which codifies FASB Statement No. 167, "Amendments to FASB Interpretation No. 46(R)." This ASU represents a revision to former FASB Interpretation No. 46 (Revised December 2003), "Consolidation of Variable Interest Entities," and changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on the other entity's purpose and design and the reporting entity's ability to direct those activities of the other entity that most significantly impact the other entity's economic performance. ASU 2009-17 also requires additional disclosures about a reporting entity's involvement in variable interest entities. The prospective adoption of this standard has had no material effect on the Company's financial position or results of operations.

Effective January 1, 2010, the Company adopted FASB ASU No. 2010-05, "Compensation—Stock Compensation (Topic 718): Escrowed Share Arrangements and the Presumption of Compensation" (ASU 2010-05). This ASU codifies Emergency Issue Task Force Topic D-110, "Escrowed Share Arrangements and the Presumption of Compensation." ASU 2010-05 states that when evaluating whether a presumption of compensation has been overcome, an entity should consider the substance of the arrangement, including whether it was entered into for purposes unrelated to, and not contingent upon, continued employment. The prospective adoption of this standard has had no material effect on the Company's financial position or results of operations.

c) Recent accounting pronouncements

In January 2010, the FASB issued ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements" (ASU 2010-06). This ASU requires new disclosures for transfers in and out of levels 1 and 2 of fair value measurement categories and a description of the reasons for the transfers. This requirement was effective for the Company in the 2010 fiscal year, and its adoption did not have an impact on the Company's financial position or results of operations. ASU 2010-06 also requires a separate presentation of information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using significant unobservable inputs (level 3). Those disclosures are effective for fiscal years beginning after December 15, 2010. Although this ASU may have an impa ct on the Company's consolidated financial statements, the Company does not expect to implement this standard in its consolidated financial statements since it will be adopting IFRS starting in the fiscal year 2011.

In April 2010, the FASB issued ASU No. 2010-13, “Compensation—Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades—A consensus of the FASB Emerging Issues Task Force” (ASU 2010-13). ASU 2010-13 clarifies that equity share options granted to an employee of an entity’s foreign operations that provide a fixed exercise price denominated in (1) the foreign operation’s functional currency or (2) the currency in which the employee’s pay is denominated should not be classified as liabilities if they otherwise qualify as equity. The amendments in the proposed ASU are effective for fiscal years, including interim periods, beginning on or after December 15, 2010. The amendments would be applied by recording a cum ulative effect adjustment to the opening balance of retained earnings. Early adoption is permitted. The Company grants share options to US employees with a fixed exercise price denominated in Canadian dollars. Although this ASU may have an impact on the Company's consolidated financial statements, the Company does not expect to implement this standard in its consolidated financial statements since it will be adopting IFRS starting in the fiscal year 2011.

In December 2010, the FASB issued ASU No. 2010-28, “Intangibles—Goodwill and Other (Topic 350): How the Carrying Amount of a Reporting Unit Should Be Calculated When Performing Step 1 of the Goodwill Impairment Test” (ASU 2010-28). The ASU clarifies that the equity premise is the only method an entity can use for the purpose of calculating the carrying amount of a reporting unit. The equity premise reflects the net amount of all the assets and liabilities assigned to the reporting unit(s) of a reporting entity. Additionally, the amendments in ASU 2010-28 modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if there are adverse qualitative factors that indicate that it is more likely than not that a good will impairment exists. This ASU is effective for fiscal years, including interim periods, beginning after December 15, 2010. Early adoption is not permitted. Although this ASU may have an impact on the Company’s consolidated financial statements, the Company does not expect to implement this standard in its consolidated financial statements since it will be adopting IFRS starting in fiscal year 2011.

In December 2010, the FASB issued ASU No. 2010-29, “Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations” (ASU 2010-29). This ASU specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in this ASU also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, non-recurring pro forma adjustments directly attributable to a business combination. The amendments in ASU 2010-29 are effective prospectively for business combinations that occur on or after the beginning of the firs t annual reporting period beginning on or after December 15, 2010. Although this ASU may have an impact on the Company’s consolidated financial statements, the Company does not expect to implement this standard in its consolidated financial statements since it will be adopting IFRS starting in fiscal year 2011.

26. Subsequent Events

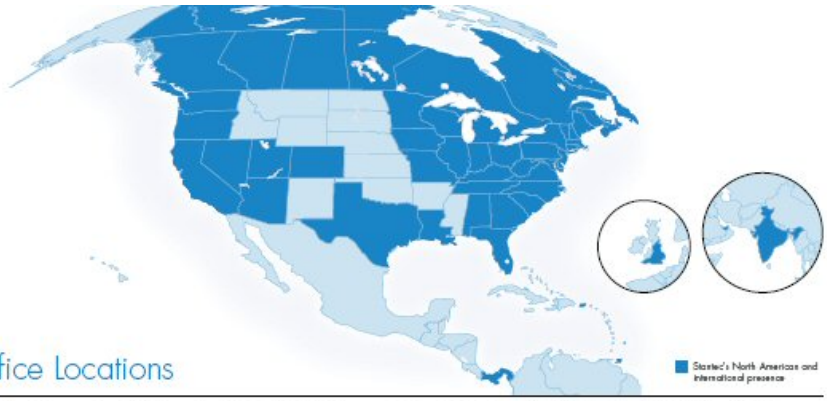
On February 11, 2011, the Company acquired the shares and business of QuadraTec, Inc. for cash consideration and notes payable. With offices in Newfoundland and Labrador, QuadraTec, Inc. provides services including mechanical, electrical, industrial, and communication engineering; energy management; design; studies; and contract management.

On January 28, 2011, the board of directors granted share options to officers and employees to purchase 410,000 shares at an exercise price of $28.65. These options vest evenly over a three-year period and have contractual lives of seven years.

Subsequent events have been evaluated through to the date the consolidated financial statements were issued.

27. Comparative Figures

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



Office Locations

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

United States Birmingham, Alabama | Phoenix, Arizona | Tempe, Arizona | Tucson, Arizona | Bakersfield, California | El Dorado Hills, California | Fresno, California | Irvine, California | Lafayette, California | Lakewood, California | Los Angeles, California | Los Gatos, California | Modesto, California | Nevada City, California | Palm Desert, California | Petaluma, California | Redlands, California | Rocklin, California | Sacramento, California | San Andreas, California | San Diego, California | San Francisco, California | San Luis Obispo, California | Stockton, California | Thousand Oaks, California | Walnut Creek, California | Boulder, Colorado | Denver, Colorado | Fort Collins, Colorado | Hamden, Connecticut | Hartford, Connecticut | Washington, District of Columbia | Fort Myers, Florida | Naples, Florida | Panama City, Florida | Port Charlotte, Florida | Sarasota, Florida | Tallahassee, Florida | Tampa, Florida | Atlanta, Georgia | Macon, Georgia | Chicago, Illinois | Springfield, Illinois | Indianapolis, Indiana | Waterloo, Iowa | Lexington, Kentucky | Louisville, Kentucky | New Orleans, Louisiana | Portland, Maine | Scarborough, Maine | Topsham, Maine | Boston, Massachusetts | Northampton, Massachusetts | Westford, Massachusetts | Ann Arbor, Michigan | Detroit, Michigan | Lansing, Michigan | Minneapolis, Minnesota | St. Louis, Missouri | Las Vegas, Nevada | Reno, Nevada | Auburn, New Hampshire | Mount Laurel, New Jersey | Rochelle Park, New Jersey | Toms River, New Jersey | Albany, New York | Binghamton, New York | Hauppauge, New York | New York, New York | Rochester, New York | Charlotte, North Carolina | Raleigh, North Carolina | Winston-Salem, North Carolina | Akron, Ohio | Cincinnati, Ohio | Columbus, Ohio | Logan, Ohio | Sylvania, Ohio | Toledo, Ohio | Portland, Oregon | Butler, Pennsylvania | Philadelphia Metro Area, Pennsylvania | Pittsburgh, Pennsylvania | State College, Pennsylvania | Charleston, South Carolina | Nashville, Tennessee | Arlington, Texas | Dallas, Texas | Houston, Texas | Midland, Texas | Salt Lake City, Utah | South Burlington, Vermont | Leesburg, Virginia | Redmond, Washington | Seattle, Washington | Buckhannon, West Virginia | Charleston, West Virginia | Madison, Wisconsin

International St. Michael, Barbados | Ahmedabad, India | Panama City, Panama | Guaynabo, Puerto Rico | Port of Spain, Republic of Trinidad and Tobago | Abu Dhabi, United Arab Emirates | Dubai, United Arab Emirates

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Transfer Agent
Computershare | Calgary, Alberta

Auditors
Ernst & Young LLP
Chartered Accountants
Edmonton, Alberta

Principal Bank
Canadian Imperial Bank of Commerce

Securities Exchange Listing
Stantec shares are listed on the Toronto Stock Exchange and New York Stock Exchange under the symbol STN.





Printed in Canada.

Exhibit 99.4

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Annual Report (Form 40-F) of Stantec Inc. (the "Company") of our audit reports dated February 24, 2011, 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 2010 Financial Review Report to Shareholders of the Company.

Ernst & Young LLP

Edmonton, Canada
February 24, 2011

Chartered Accountants

Exhibit 99.5

CERTIFICATION
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a), PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, **DANIEL J. LEFAIVRE**, certify that:

1. I have reviewed this annual report on Form 40-F of Stantec Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 24, 2011

/s/ Daniel J. Lefaivre
DANIEL J. LEFAIVRE, CMA
Senior Vice President & Chief Financial Officer

Exhibit 99.6

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Stantec Inc. (the "Company") is filing its annual report on Form 40-F for the fiscal year ended December 31, 2010 (the “Report”) with the United States Securities and Exchange Commission.

I, Daniel J. Lefaivre, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2011

/s/ Daniel J. Lefaivre
DANIEL J. LEFAIVRE, CMA
Senior Vice President & Chief Financial Officer

Exhibit 99.7

CERTIFICATION
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a), PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, **ROBERT J. GOMES**, certify that:

1. I have reviewed this annual report on Form 40-F of Stantec Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 24, 2011

/s/ Robert J. Gomes
ROBERT J. GOMES, P. ENG
President & Chief Executive Officer

Exhibit 99.8

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, 2010 (the “Report”) with the United States Securities and Exchange Commission.

I, Robert J. Gomes, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2011

/s/ Robert J. Gomes
0;
ROBERT J. GOMES, P. ENG
President & Chief Executive Officer