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

FORM 40-F

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

OR

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

For the fiscal year ended December 31, 2005

Commission File Number: 001-32562

STANTEC INC.

(Exact name of Registrant as specified in its charter)

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

Canada

(Province or other jurisdiction of incorporation or organization)

8711

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

N/A

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

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

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

Stantec Consulting Inc., 8211 South 48th Street, Phoenix, AZ 85044 (602)438-2200

(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:

þ Annual information form þ 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, 2005 – 22,371,827 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 o No þ

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 þ No o

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to ensure that information required to be disclosed by Stantec Inc. (“Stantec”) in reports filed with securities regulatory agencies is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to Stantec’s management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

An evaluation was carried out under the supervision of and with the participation of Stantec’s management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in rules adopted by the U.S. Securities and Exchange Commission) as of December 31, 2005. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were effective.

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized and improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. Accordingly, Stantec’s management, including our Chief Executive Officer and our Chief Financial Officer, does not expect that Stantec’s internal controls over financial reporting will prevent or detect all errors and all fraud.

There has been no change in Stantec’s internal controls over financial reporting during the year ended December 31, 2005 that materially affected, or that is reasonably likely to materially affect, Stantec’s internal controls over financial reporting.

Stantec will continue to periodically review its disclosure controls and procedures and internal controls over financial reporting and may make modifications from time to time as considered necessary or desirable. Stantec has been undertaking a comprehensive review of its existing internal controls over financial reporting in preparation for the reporting and attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 becoming effective. In connection with such review, modifications have been made to Stantec’s disclosure controls and procedures and internal controls over financial reporting and modifications may, as appropriate, be made to Stantec’s disclosure controls and procedures or internal controls over financial reporting in the future.

IDENTIFICATION OF THE AUDIT COMMITTEE

Stantec’s audit committee is made up of the following three members: William (Bill) D. Grace (Chair), E. John (Jack) Finn and Robert R. Mesel.

AUDIT COMMITTEE FINANCIAL EXPERT

Stantec’s Board of Directors has determined that it has at least one audit committee financial expert serving on its audit committee. The Board of Directors has determined that Mr. William D. Grace is an audit committee financial expert (as such term is defined in the rules and regulations of the Securities Exchange Commission) and is independent, as that term is defined by the New York Stock Exchange’s corporate governance standards applicable to Stantec. The Securities and Exchange Commission has indicated that the designation of a person as an audit committee financial expert does not impose on such person any duties, obligations or liability that are greater than those imposed on such person as a member of the audit committee and the Board of Directors in the absence of such designation and does not affect the duties, obligations or liability of any other member of the audit committee or Board of Directors.

CODE OF ETHICS

Stantec has adopted a code of ethics, entitled “Stantec Code of Ethics”. The Code of Ethics applies to all directors, officers and employees of Stantec, including Stantec’s principal executive officer, principal financial officer and principal accounting officer. Stantec’s Board of Directors, through its corporate governance and compensation committee, reviews the operation of the Code of Ethics and any waivers thereof. The Code of Ethics is reviewed at least annually to ensure that it complies with all legal requirements and is in alignment with best practices. In the event that amendments

are needed, recommendations are made to the corporate governance and compensation committee and the Board of Directors for approval. The Code of Ethics is available on Stantec's website (www.stantec.com) in the "Inside Stantec—Governance" section and is available in print to any shareholder upon written request to the Secretary of Stantec.

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

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The disclosure provided under "External Auditor Service Fees" on page 27 of Exhibit 2, Annual Information Form, is incorporated by reference herein.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

The disclosure provided under "Pre-Approval Policy" on page 27 of Exhibit 2, Annual Information Form, is incorporated by reference herein.

OFF-BALANCE SHEET ARRANGEMENTS

The disclosure provided under "Off-Balance Sheet Arrangements" on page M-22 of Exhibit 3, Management's Discussion and Analysis, is incorporated by reference herein.

CONTRACTUAL OBLIGATIONS

The disclosure provided under "Contractual Obligations" on page M-22 of Exhibit 3, Management's Discussion and Analysis, is incorporated by reference herein.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

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

B. Consent to Service of Process

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

SIGNATURES

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

STANTEC INC.

/s/ Anthony P. Franceschini
Anthony P. Franceschini
President and Chief Executive Officer

Date: March 30, 2006

EXHIBIT INDEX

Exhibit No.	Description
1.	Notice of Annual and Special Meeting of Shareholders, and Management Information Circular dated March 15, 2006
2.	Annual Information Form dated March 30, 2006
3.	Management's Discussion and Analysis for the year ended December 31, 2006 (pages M-1 through M-40 of the 2005 Annual Report)
4.	2005 Audited Consolidated Financial Statements (pages F-1 through F-28 of the 2005 Annual Report)
5.	Consent of Ernst & Young LLP
6.	Officers' Certifications required by Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002
7.	Officers' Certifications required by Rule 13a-14(b) or Rule 15d-14(b) pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002

Exhibit 1

ANNUAL AND SPECIAL MEETING MAY 4, 2006

Stantec

TSX STN
NYSE SXC

Notice of Annual and Special Meeting of Shareholders
&
Management Information Circular



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

Stantec.com



Stantec

March 15, 2006

Dear Fellow Shareholder:

It gives me great pleasure to share with you the *Stantec Inc. 2005 Annual Report* highlighting a year of record performance for our Company. In 2005 we focused on taking our dynamic organization to the next phase of its evolution, positioning Stantec for further growth. Our ability to sustain consistent growth and profitability in a challenging business climate contributed to a 50% increase in share price during the year.

I would also like to take this opportunity on behalf of the Stantec Board of Directors to invite you to attend the annual meeting of shareholders of Stantec Inc., which will be held at 11:00 AM on Thursday, May 4, 2006, at Stantec Centre in Edmonton, 10160 – 112 Street, Edmonton, Alberta. Alternatively, you may choose to attend the meeting through the Internet. The presentation will be broadcast live and archived on stantec.com under the Investor Relations section. During the meeting, we will review the Company's 2005 operating and financial performance and outline our strategy going forward.

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

Thank you for your continuing support.

Sincerely,



Tony Franceschini
President & CEO

STANTEC INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

Stantec Inc. ("Stantec") will hold its annual and special meeting of shareholders (the "Meeting") at Stantec Centre, 10160 – 112 Street, Edmonton, Alberta on Thursday, May 4, 2006 at 11:00 AM (MDT) to:

1. receive Stantec's financial statements for the financial year ended December 31, 2005, together with the auditor's report on those statements;
2. elect the directors of Stantec;
3. appoint an auditor and to authorize the directors to fix the auditor's remuneration;
4. to vote on an amendment of the Employee Share Option Plan setting the number of Common Shares reserved for issuance under that plan at a number equal to 10% of Stantec's issued and outstanding Common Shares;
5. to vote on an amendment to Stantec's articles relating to the subdivision of the issued Common Shares of the Corporation on a two (2) for one (1) basis to increase the total number of outstanding Common Shares; and
6. to transact any other business properly brought before the Meeting.

The accompanying Management Information Circular contains more information regarding these matters. Stantec's 2005 audited financial statements are included in the Stantec annual report which is being mailed with the circular.

The Board of Directors has fixed the close of business on March 15, 2006 as the record date for the determination of shareholders entitled to notice of and to vote at the meeting and only shareholders of record on such date are entitled to vote on these matters at the Meeting.

By Order of the Board of Directors



Edmonton, Alberta
March 15, 2006

JEFFREY S. LLOYD
Secretary

If you are not able to attend the Meeting in person, please exercise your right to vote by returning the enclosed form of proxy to Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, ON M5J 2Y1, so as to arrive no later than 10:00 AM (MDT) on May 2, 2006 or, if the Meeting is adjourned, 10:00 AM (MDT) on the second business day before any adjournment.

SOLICITATION OF PROXIES

This Management Information Circular and the accompanying form of proxy are for use at Stantec's annual and special shareholder meeting, and any adjournments or postponements, for the purposes described in the accompanying notice of meeting. The meeting is scheduled for 11:00 AM (MDT), Thursday, May 4, 2006 at:

Stantec Centre
10160 – 112 Street
Edmonton AB T5K 2L6

Stantec's management is soliciting proxies with this circular. Proxies will be primarily solicited by mail, but Stantec employees may also solicit proxies via telephone or in person. Stantec is bearing the costs associated with this solicitation. Unless otherwise noted, the information in this circular is current to March 15, 2006.

REGISTERED SHAREHOLDERS — APPOINTMENT AND REVOCATION OF PROXIES

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

1. to vote by mail or delivery, your paper proxy must by completed, signed and returned in accordance with the instructions on the enclosed form of proxy.
2. to vote by telephone, call the toll-free number indicated on the enclosed form of proxy. Using a touch-tone telephone to select your voting preferences, follow the instructions of the "vote voice" and refer to your Control Number, Holder Account Number and Access Number provided on the enclosed proxy when instructed to do so. **Note that voting by telephone is not available if you wish to appoint a person as a proxy other than the persons named on the proxy form.** In such a case, your proxy should be voted by mail, delivery or Internet.
3. to vote using the Internet, visit the Internet website indicated on the enclosed form of proxy. Follow the on-line voting instructions given to you over the Internet to select your voting preferences and refer to your Control Number, Holder Account Number and Access Number provided on the enclosed proxy when instructed to do so.

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

If you are a registered shareholder and you complete and return the enclosed proxy in one of the three methods described above, you give authority to the individuals named in the proxy, or an individual of your choosing (in the case of a paper proxy or an Internet proxy), to attend, vote and act on your behalf at the meeting.

The individuals named in the enclosed form of proxy are Stantec directors and/or officers. **You have the right to appoint a person of your choice, who need not be a Stantec**

shareholder, to represent you and to attend and act on your behalf at the meeting. If you wish to appoint someone other than individuals listed in the enclosed proxy, please insert the name of the person you wish to appoint in the paper proxy or the Internet proxy in the space provided for that purpose.

Whichever method you choose, your proxy must be received by:

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

before 10:00 AM (MDT) on May 2, 2006. If the meeting is adjourned or postponed, the proxy must be signed and received by Computershare before 10:00 AM (MDT) on the second business day before the adjourned meeting.

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

1. Stantec's registered office before the end of business on the day before the meeting or any subsequent adjournment or postponement, or
2. the Chairman of the meeting before the start of the meeting or before any adjournment or postponement.

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

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

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

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

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

1. by providing, well in advance of the meeting, voting instructions to your nominee who will have sent you either a request for voting instructions or a form of proxy for the number of shares you hold. You should carefully follow your nominee's procedures and return instructions to ensure that your shares are voted at the meeting; or
2. by attending the meeting. Stantec does not generally have the names of non-registered shareholders; therefore, if you want to attend the meeting in person, you must have your nominee appoint you as its proxyholder in respect of your shares. Only after having been appointed as a proxyholder will you be able to vote your shares at the meeting. If you plan to vote in this manner, contact your nominee to determine what documents you

need to complete to be appointed a proxyholder. You will also need to register with Stantec's transfer agent at the meeting.

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

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

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

VOTING OF SHARES REPRESENTED BY MANAGEMENT PROXIES

Unless you specify another individual, the enclosed form of proxy authorizes the two named individuals, who represent Stantec management, to vote your shares at the meeting according to your instructions. **In the absence of specific instructions, the management representatives will vote for the election of the directors, the appointment of auditor, and in favor of the two resolutions indicated in this circular (the amendment of Stantec's Employee Share Option Plan and the amendment of Stantec's articles to subdivide each issued Common Share on a two (2) for one (1) basis).**

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

PARTICULARS OF MATTERS TO BE ACTED ON AT THE MEETING

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

1. Election of Directors

Please see page 22 under the heading "ELECTION OF DIRECTORS".

2. Appointment of Auditor

It is proposed that Ernst & Young LLP, Chartered Accountants be appointed as Stantec's auditor for the 2006 fiscal year.

Aggregate fees paid to Ernst & Young LLP, Stantec's external auditor, during the fiscal years ended December 31, 2005 and 2004 were as follows:

Category	Note	2005	2004
Audit Fees	1	$ 754,000	$406,000
Audit-Related Fees	2	24,000	—
Tax Fees	3	898,000	448,000
Total		$1,676,000	$854,000

1 — Audit Fees – audit services provided by Ernst & Young LLP for the audit and review of Stantec's financial statements or services normally provided by Ernst & Young LLP in connection with statutory and regulatory filings or engagements.

2 — Audit-Related Fees – assurance and related services provided by Ernst & Young LLP that are reasonably related to the performance of the audit or review of the financial statements and are not reported under "Audit Fees" and include consultations concerning compliance with the United States' Sarbanes-Oxley Act (SOX) and other audit related items.

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.

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

3. Amendment of the Employee Share Option Plan

At the meeting, shareholders will be asked to vote on a resolution approving an amendment to Stantec's Employee Share Option Plan setting the number of shares reserved for issuance as options pursuant to the plan at 2,257,063 which is equal to 10% of Stantec's current issued and outstanding Common Shares as at March 15, 2006.

Please also note that if the shareholders of Stantec approve at the meeting the special resolution to subdivide the Common Shares on a two (2) for one (1) basis, the number of Common Shares reserved for issuance would also double; however, the percentage of Common Shares reserved under the plan of 10% would not change.

Please note that the figures referred to below and throughout this circular relating to the plan account for the two (2) for one (1) stock split which occurred on May 17, 2002.

Background

Stantec's Employee Share Option Plan provides for the granting of options to purchase Common Shares to officers, employees, and consultants of Stantec and its subsidiaries. The Board of Directors believes that issuing options to key individuals is an effective means of aligning the interests of these individuals with the interests of Stantec shareholders.

On February 23, 2006, the Board of Directors resolved to amend the Employee Share Option Plan to delete the reference to "directors" in the definition of persons eligible to participate in the plan. The Board of Directors made this change to reflect Stantec's practice since July of 2003 that independent directors not be granted stock options. Stantec is not seeking shareholder approval for this amendment, as the Toronto Stock Exchange does not require shareholder approval for amendments to security based compensation arrangements of a housekeeping nature that have the effect of decreasing insider participation in the plan.

At the time of the last amendment to the number of Common Shares reserved under the plan in May of 2002, 1,754,938 shares were reserved for issuance as options, which, together with certain individual option agreements which existed at the time, totaled 1,814,938 Common Shares, representing 10% of Stantec's issued and outstanding Common Shares at that time.

On February 23, 2006, the Board of Directors resolved to reset the number of shares reserved for issuance as options. Subject to shareholder approval, the Employee Share Option Plan has been amended to reserve 2,257,063 Common Shares, being 10% of the current issued and outstanding Common Shares as of the date of this circular. Stantec does not issue any securities other than Common Shares.

Terms of the Plan

Each option granted has a maximum term of 10 years and is exercisable on terms determined by the Board of Directors, including vesting and restrictions on sale or other disposition of Common Shares acquired upon exercise of an option. The Board of Directors establishes the exercise price for options when issued, which in all cases cannot be less than:

1. the closing price of Stantec's Common Shares on the Toronto Stock Exchange ("TSX") on the trading day immediately preceding the date of the grant; or
2. such lesser permissible amount under applicable legislation or the rules and regulations of the TSX.

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

The maximum number of Common Shares which may be reserved for issuance to insiders under the plan is 10% of the Common Shares outstanding at the time of the grant (on a non-diluted basis) less the aggregate number of Common Shares reserved for issuance to insiders under any other share compensation arrangement. In addition, the maximum number of Common Shares which may be issued to insiders under the plan within a one year period is 10% of the Common Shares outstanding at the time of the issuance (on a non-diluted basis), excluding Common Shares issued under the plan or any other share compensation arrangement over the preceding one year period. The maximum number of Common Shares

which may be issued to any one insider under the plan within a one year period is 5% of the Common Shares outstanding at the time of the issuance (on a non-diluted basis), excluding Common Shares issued to the insider in question under the plan or any other share compensation arrangement over the preceding one year period. However, any entitlement to acquire Common Shares granted pursuant to the plan or any other share compensation arrangement prior to the optionholder becoming an insider shall be excluded for the purposes of the limits set out above.

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

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

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

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

The Board of Directors may amend, suspend or terminate the plan or any portion thereof at any time in accordance with applicable legislation and subject to any required approval. With the consent of affected optionholders, the Board of Directors may amend or modify any outstanding option in any manner to the extent that the Board of Directors would have the authority to initially grant such award, including, without limitation, to change the date or dates as of which an option becomes exercisable, subject to the prior approval of the relevant stock exchange. The Board of Directors also has the authority to adopt, amend and rescind administrative guidelines and other rules and regulations relating to the plan.

Shares Reserved and Options Granted

The following shows shares reserved and options granted, exercised and available for grant:

	Plan Maximum	Options Outstanding	Options Exercised	Options Available for Future Grant
Balance as of March 15, 2006 (prior to proposed change)	1,754,938	732,111	965,088	57,739
Percentage of Common Shares outstanding as of March 15, 2006 (prior to proposed change)	7.78%	3.24%	4.28%	0.26%
Balance as of March 15, 2006 (after proposed change, based upon number of issued and outstanding Common Shares as of March 15, 2006)	2,257,063	732,111	0	1,524,952
Percentage of Common Shares outstanding as of March 15, 2006 (after proposed change)	10%	3.24%	0%	6.76%

Resolution and Recommendation

The Board of Directors recommends that shareholders vote FOR the proposed change so that additional stock options are available as part of Stantec's compensation structure to attract, retain and motivate key individuals.

The resolution attached as Schedule "B" to this circular confirms the amendment to the number of Common Shares reserved for issuance pursuant to this plan to be equal to 10% of Stantec's issued and outstanding Common Shares as of the date of this circular. In order to be passed, this resolution requires the support of a majority of the votes cast at the meeting either in person or by proxy.

The Stantec management representatives intend to vote for this resolution, other than in respect of shares held by shareholders who specify in their proxies that their shares are to be voted against the resolution.

4. Subdivision of Common Shares

The Board of Directors has recommended the proposed subdivision of the issued Common Shares of the Corporation on a two (2) for one (1) basis to increase the total number of outstanding Common Shares and on February 23, 2006, resolved to approve an amendment to Stantec's articles to subdivide the Common Shares on this basis.

If the special resolution is passed and all regulatory approvals are obtained, it is expected that the Common Shares will begin to trade on a subdivided basis on or about Wednesday, May 17, 2006. If approved, the subdivision of the Common Shares will be completed by the "push-out" method. Accordingly, shareholders of record on the record date for determining shareholders entitled to participate in the subdivision, which date is expected to be on or about Friday, May 19, 2006, will retain the Common Shares that they currently hold and will be provided with certificates representing an equal number of additional Common Shares.

Resolution and Recommendation

The Board of Directors has determined that the proposed subdivision is desirable and recommends that the shareholders vote FOR the proposed change to enhance the liquidity and marketability of the Common Shares and make the Common Shares accessible to a wider range of investors.

The proposed resolution will be presented to the shareholders at the meeting of shareholders in substantially the form set forth in the attached Schedule "C". The special resolution will be adopted as a special resolution if it receives the affirmative vote of not less than two-thirds of the votes cast at the meeting either in person or by proxy.

The Stantec management representatives intend to vote for this resolution, other than in respect of shares held by shareholders who specify in their proxies that their shares are to be voted against the resolution.

5. Other Business

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

INFORMATION REGARDING STANTEC

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

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

VOTING SHARES AND THEIR PRINCIPAL HOLDERS

As of the date of this circular, Stantec has 22,570,626 Common Shares issued and outstanding. Each holder of Common Shares on the record date (March 15, 2006) will be entitled to one vote on all matters proposed to come before the meeting for each Common Share held.

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

NORMAL COURSE ISSUER BID

On May 30, 2005, Stantec announced its intention to make a normal course issuer bid starting June 1, 2005 and expiring May 31, 2006. During this period, Stantec may acquire up to 946,705 Common Shares, being approximately 5% of the issued and outstanding Common Shares at the time of the issuer bid's announcement.

Stantec believes that, at certain times, the market price of its Common Shares may not adequately reflect the value of its business and its future business prospects. As a result, Stantec believes that its outstanding Common Shares may, at such times, represent an attractive investment and an appropriate and desirable use of its available funds. Stantec will purchase its Common Shares for cancellation.

Purchases will be effected through the TSX's facilities, in accordance with its by-laws, rules, and policies. Stantec will pay the market price for any Common Shares it acquires.

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

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Stantec's Board of Directors believes in the importance of sound corporate governance practices. Stantec's practices are described in Schedule "A" to this circular.

Canadian corporate governance practice standards continue to be reviewed and modified. At present, the guidelines set out in National Policy 58-201 are the benchmark to which we must adhere. As a New York Stock Exchange ("NYSE") listed company, we also closely follow the corporate governance standards set out in the NYSE Listed Company Manual. Please see Schedule "A" for a summary of where our corporate governance practices differ significantly from the NYSE standards. A number of revisions to these guidelines have been proposed and are being considered. Stantec continues to monitor and adapt as corporate governance standards evolve.

Board of Directors' Meetings

There were eight Board of Directors' meetings and one strategic planning session in 2005. The Board of Directors has met twice in 2006 and five additional meetings are scheduled. The agenda for these scheduled Board of Directors' meetings, and whether additional meetings are necessary, will depend on the state of Stantec's affairs, including any opportunities or problems facing Stantec.

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

Committees of the Board of Directors

In 2005, there were two committees of the Board of Directors: (1) the Audit Committee and (2) the Corporate Governance and Compensation Committee.

Audit Committee



The Audit Committee members are all independent directors. The committee members are E. John (Jack) Finn, William D. Grace, and Robert R. Mesel. In summary, the committee monitors, evaluates, approves and makes recommendations on matters affecting Stantec's external audit, financial reporting and accounting control policies. The committee's Terms of Reference include:

Financial Statements and Disclosures

1. Review, and recommend to the Board of Directors for approval, the annual audited financial statements.
2. Review, and recommend to the Board of Directors for approval, the following public disclosure documents:
   (a) the financial content of the annual report;
   (b) the annual management information circular and proxy materials;
   (c) the annual information form, including any regulatory requirements for audit committee reporting obligations;
   (d) the management discussion and analysis section of the annual report; and

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

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

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

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

6. Review the audit committee information required as part of the annual information form.

7. Review the CEO and CFO certification of annual and interim disclosure as required by the regulatory authorities.

8. Review with management on an annual basis, the Corporation's obligations pursuant to guarantees that have been issued and material obligations that have been entered into, and the manner in which these guarantees and obligations have been, or should be, disclosed in the financial statements.

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

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

   (b) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation;

   (c) any new or pending developments in accounting and reporting standards that may affect or impact on the Corporation;

   (d) the impact of the Corporation's capital structure on current and future profitability, and any off-balance sheet structures; and

   (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.

External Auditor

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

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

    (a) staffing;

    (b) objectives and scope of the external audit work;

    (c) materiality limits;

    (d) audit reports required;

    (e) areas of audit risk;

    (f) timetable; and,

    (g) the proposed fees.

14. Obtain and review a report from the external auditor at least annually regarding the auditor's independence and the profession's or audit firm requirements regarding audit partner rotation. Consider the need to rotate the audit firm, and report to the Board of Directors on this analysis.

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

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

17. Receive an annual certification from the external auditor that they participate in the public oversight program established by the Canadian Public Accountability Board (CPAB) and the standards of the United States

Public Company Accounting Board (PCAOB), and that they are in good standing with the CPAB and the PCAOB.

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

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

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

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

    (b) any significant accounting or financial reporting issues;

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

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

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

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

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

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

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

Internal Audit

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

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

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

    (a) staffing;

    (b) objectives and scope of the internal audit work;

    (c) materiality limits;

    (d) audit reports required;

    (e) areas of audit risk;

    (f) timetable; and,

    (g) the proposed budget.

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

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

    (b) any significant accounting or financial reporting issues;

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

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

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

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

Internal Controls

29. Obtain reasonable assurance, by discussions with and reports from management, the external auditor and the internal auditors (where

applicable), that the accounting systems are reliable, the system for preparation of financial data reported to the market is adequate and effective, and that the system of internal controls is effectively designed and implemented.

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

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

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

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

Compliance/Risk/Fraud

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

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

36. Discuss with management the Corporation's procedures to deal with whistle blower complaints, including the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

37. 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.

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

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

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 of Directors. 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.

Other

41. Review, as required, any claims of indemnification pursuant to the by-laws of the Corporation.
42. Receive a quarterly report from the CFO regarding private aircraft use including itinerary and passenger manifest.
43. In accordance with the Corporation's Whistle Blower Policy - Complaint Resolution Process, review and determine the disposition of any complaints or correspondence received under the policy.
44. Review and determine the disposition of any complaints received from shareholders or any regulatory body.
45. Conduct an annual assessment of the effectiveness of the Committee and provide a report thereon to the Board of Directors.
46. Receive comments from the external auditor on their assessment of the effectiveness of the Committee's oversight of internal control over financial reporting.
47. Review annually the terms of reference for the Committee and recommend any required changes to the Board of Directors.

The Audit Committee met six times in 2005. In addition to formal meetings, the members of the Audit Committee meet informally as required, either in person or by telephone. The Chairman of the Audit Committee provides regular reports at Stantec's Board of Directors' meetings.

Additional information regarding the Audit Committee and its members may be found in Stantec's Annual Information Form dated March 30, 2006, filed on SEDAR at www.sedar.com.

Corporate Governance and Compensation Committee



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

This committee makes recommendations to the Board of Directors on:

Corporate Governance Matters

- developments in the area of corporate governance generally;
- composition and size of the Board of Directors;
- appropriate candidates for nomination to the Board of Directors;

- providing an orientation and education program for new directors;
- evaluating the performance of the Board of Directors, any committees, and individual directors;
- considering and approving any requests by an individual director to engage outside experts at Stantec's expense.

Compensation Matters

- compensation policies reflecting the rationale for each element of executive pay, including the link between compensation and performance and the level of competitiveness of the total compensation package;
- administration of Stantec's Employee Share Option Plan;
- executive management compensation, including bonuses, stock options, pensions, and benefits;
- compensation for the Chief Executive Officer;
- senior management performance reviews;
- Stantec's succession plans for executive management positions.

The Corporate Governance and Compensation Committee met three times in 2005. The Chairman of the Corporate Governance and Compensation Committee provides regular reports at Stantec's Board of Directors' meetings.

ELECTION OF DIRECTORS

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

The members of Stantec's Audit Committee and Corporate Governance and Compensation Committee are indicated below. The following biographies also indicate the number of Stantec Common Shares currently beneficially owned, directly or indirectly, or controlled or directed by the nominees.

Neilson A. "Dutch" Bertholf, Jr. retired from the Board of Directors in 2005. The Board of Directors wishes to thank Dutch for his seven years of dedicated service.

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



Ronald P. Triffo has been associated with Stantec since 1977. He was appointed President in 1983, President and CEO in 1988 and Chairman of the Board of Directors in 1998. Mr. Triffo holds a BSc. in Civil Engineering from the University of Manitoba and a MSc. in Engineering from the University of Illinois. He is currently a director of TELUS Corporation and Chairman and director of ATB Financial. He is the Vice Chair of the Board of Directors of the Alberta Ingenuity Fund and is the immediate Past Chair of the Alberta Economic Development Authority. Mr. Triffo also serves on the Board of Alberta's Promise, the Advisory Council of the Faculty of Medicine and Dentistry at the University of Alberta, and the Board of Governors of Junior Achievement of Northern Alberta.

Director Since	Independent	Common Shares	Options	Deferred Share Units	2005 Attendance	
August 12, 1985	Yes	481,888	100,000	Not eligible	Board Meetings	8 of 8

Anthony (Tony) P. Franceschini – President & CEO, Stantec Inc.
Edmonton, AB – Canada



Anthony P. Franceschini has been with Stantec since 1978, where he has provided consulting services, management, and leadership, becoming Chief Executive Officer in 1998. He has served as a director of Stantec since the Company became publicly traded in March 1994. He also serves as a director of Esterline Technologies Corporation, a leading manufacturer in the aerospace/defence markets and is a director of privately held CCI Thermal Technologies Inc., an Edmonton-based manufacturer of industrial heating products and custom-engineered process heating equipment.

Director Since	Independent	Common Shares	Options	Deferred Share Units	2005 Attendance	
February 3, 1994	No	208,781	150,000	Not eligible	Board Meetings	8 of 8

Robert J. Bradshaw - Chairman, Contor Industries Limited
Toronto, ON – Canada



Robert J. Bradshaw has been a member of Stantec's Board of Directors since 1993. He is a professional engineer with a diverse background in the manufacturing, oil, consulting engineering, and nuclear industries, as well as in power generation and government service. Mr. Bradshaw is currently Chairman of Contor Industries Limited, which acquires mature manufacturing companies requiring significant turn-around activities. The business of the Contor companies ranges from nuclear and aerospace to hydro electric; gold mining; food processing; aircraft leasing and waste disposal. Mr. Bradshaw is a director of Configuresoft, Inc.

Director Since	Independent	Common Shares	Options	Deferred Share Units	2005 Attendance	
December 14, 1993	Yes	55,000	0	4,800	Board Meetings Compensation Corporate Governance & Committee	8 of 8 3 of 3

E. John (Jack) Finn – Corporate Director
Madison, CI – USA



E. John (Jack) Finn has been a member of Stantec's Board of Directors since 1995. He is the retired Chairman of Dorr-Oliver, Inc., a process engineering and equipment firm. An electrical engineering graduate of Carnegie Mellon University, Mr. Finn's business experience has focused on operations and general management. He held various executive positions with The Carborundum Company, Kennecott Corporation and The Standard Oil Company. In addition to Stantec, he is currently a director of Vodium of Washington, DC and Delicious Milk Company of New York, NY.

Director Since	Independent	Common Shares	Options	Deferred Share Units	2005 Attendance	
October 17, 1995	Yes	19,000	10,000	4,800	Board Meetings	7 of 8
					Audit Committee	6 of 6

William D. Grace – Corporate Director
Edmonton, AB – Canada



William D. Grace has been a member of Stantec's Board of Directors since 1994. Mr. Grace is a graduate of the University of Alberta and a Fellow Chartered Accountant (FCA). During his business career, he served as the Chief Financial Officer with several Alberta corporations including Chieftain Development Co. Ltd., R. Angus (Alberta) Limited and Canadian Utilities Limited. From 1988 to 1994, he was a managing partner in the Edmonton office of Price Waterhouse. Mr. Grace is the recipient of several awards including the Alberta Achievement Award from the Province of Alberta, the Lifetime Achievement Award from the Alberta Institute of Chartered Accountants and the University of Alberta Alumni Award of Excellence. He currently holds a number of corporate directorships in addition to Stantec, including the Forzani Group Ltd., Melcor Developments, Millar Western Forest Products Ltd. and several private companies. He is also the independent Chairman of the Edmonton Pipe Industry Pension Trust and Health & Welfare Funds, a director of Mutual Fund Dealers Association of Canada, and a public council member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. Mr. Grace has been active over the past 25 in numerous community and professional activities.

Director Since	Independent	Common Shares	Options	Deferred Share Units	2005 Attendance	
April 29, 1994	Yes	13,000	0	4,800	Board Meetings	8 of 8
					Audit Committee	6 of 6
					Corporate Governance & Compensation Committee	2 of 3

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



Susan E. Hartman has been a member of Stantec's Board of Directors since 2004. Ms. Hartman holds a BSc. degree in chemistry and has diverse experience in strategic planning, business management, mergers and acquisitions, operations, and international business development. In 1993 she started her own management consulting firm, The Hartman Group. Ms. Hartman continues as President and owner of The Hartman Group, leading the company's consulting services in the area of strategic and operational planning, overall business assessment, process optimization, and project management. She currently serves as a board member on QED Technologies and the SCORE Foundation.

Director Since	**Independent**	**Common Shares**	**Options**	**Deferred Share Units**	**2005 Attendance**	
November 4, 2004	Yes	0	0	2,800	Board Meetings	8 of 8
					Corporate Governance & Compensation Committee	3 of 3

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



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

Director Since	**Independent**	**Common Shares**	**Options**	**Deferred Share Units**	**2005 Attendance**	
November 4, 2004	Yes	2,500	0	2,800	Board Meetings	8 of 8
					Audit Committee	5 of 6

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



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

Director Since	Independent	Common Shares	Options	Deferred Share Units	2005 Attendance	
November 3, 2005	No	278,581	0	Not eligible	Board Meetings	1 of 1

With the exception of Aram H. Keith who, prior to September 15, 2005, was the Chief Executive Officer and Chairman of the Board of The Keith Companies, Inc., each of the directors of Stantec has been engaged for more than five years in their present principal occupation or in other capacities with the company or organization (or a predecessor thereof) in which they currently hold their principal occupation.

COMPENSATION OF DIRECTORS

Mr. Triffo, the Chairman of the Board of Directors, receives $150,000 per year as a director fee retainer pursuant to an agreement with Stantec. He is not paid any additional amounts for attending Board of Directors' committees, chairing Board of Directors' meetings, or attending meetings or events in support of the company. This agreement with Mr. Triffo will end when he ceases to be the Chairman of the Board of Directors.

Mr. Keith, Vice-Chairman of the Board of Directors, receives $125,000 per year as a director fee retainer pursuant to an agreement with Stantec. He is not paid any additional amounts for attending Board of Directors' committees or attending meetings or events in support of the company. This agreement with Mr. Keith will end on September 29, 2006, and his director compensation will revert to the compensation paid, from time to time, to independent members of the Stantec Board of Directors, pursuant to an agreement with Stantec.

The President and CEO, Mr. Franceschini, is not compensated for acting as a director.

The remaining five directors are paid according to Stantec's director compensation program which is intended to:

1. encourage the directors to hold a continuing equity interest in Stantec;
2. align the interests of directors with the interests of shareholders; and
3. attract and retain qualified Canadian and US directors.

The director compensation program includes deferred share units (DSUs) each of which has the same value as one Stantec Common Share. However, DSUs carry no voting rights and they

cannot be transferred. DSUs cannot be exercised until death or retirement of a director, upon which, the value of a director's DSUs are paid in cash. Each DSU will be valued at the Stantec Common Share market price on the last trading day of the month of the death or retirement of the director. DSUs are granted on the last day of the previous quarter and once granted, the number of DSUs will be adjusted even if the director dies or retires in the quarter to which a grant of DSUs relates. The number of DSUs held by directors and the number of DSUs to which directors are entitled will be appropriately adjusted for any change in Stantec's outstanding Common Shares that occurs by reason of any stock split, consolidation, or other corporate change.

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

- 1,600 DSUs a year (400 per quarter);
- an additional $1,500 per quarter if they chair the Board of Directors Corporate Governance and Compensation Committee;
- an additional $3,000 per quarter if they chair the Board of Directors Audit Committee; and
- $1,800 for every Board of Directors' meeting or Board of Directors' committee meeting they attend.

During Stantec's financial year ending December 31, 2005, Stantec paid its directors, other than Mr. Franceschini, $598,846.14. This figure includes the Chairman's compensation of $150,000, compensation to Mr. Keith in the amount of $28,846.14, and compensation paid to independent directors as follows:

- chair and meeting fees $129,000
- DSUs (valued at date of issue) $291,000

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table summarizes the compensation for Stantec's Chief Executive Officer, Chief Financial Officer and the next three most highly compensated executive officers, collectively, the "Named Executive Officers" of Stantec.

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards	All Other Compensation
		Salary	Bonus[1]	Securities under Options[2]	
A.P. FRANCESCHINI President & CEO	2005 2004 2003	$375,004 $375,004 $367,793	$1,161,425 $ 844,350 $ 717,338	nil nil 150,000	$ 7,730[3] $ 9,000[3] $ 11,250[4]
D.W. WILSON Vice President & CFO	2005 2004 2003	$232,828 $224,030 $196,165	$ 300,000 $ 250,000 $ 195,000	nil 5,000 6,500	$ 11,883[5] $ 69,439[6] $ 5,500[3]

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards	All Other Compensation
		Salary	Bonus[1]	Securities under Options[2]	
R.L. ALARIE Executive Vice President Stantec Consulting Ltd.	2005 2004 2003	$241,744 $233,649 $196,165	$350,000 $350,000 $230,000	nil 5,000 6,000	$ 10,983[3] $ 3,750[3] $ 5,500[3]
M.E. JACKSON Senior Vice President Stantec Consulting Ltd.	2005 2004 2003	$226,336 $218,460 $176,542	$300,000 $250,000 $205,000	nil 5,000 8,000	$ 10,305[3] $ 5,869[3] $ 5,100[3]
W.B. LESTER Executive Vice President Stantec Consulting Ltd.	2005 2004 2003	$241,744 $230,994 $220,664	$350,000 $350,000 $350,000	nil 5,000 7,000	$ 702,982[7] $ 6,192[3] $ 6,000[3]

1 Represents bonuses earned and calculated in respect of the indicated financial year.

2 Options for Common Shares of Stantec. See below for further information regarding option grants and exercises during the most recently completed financial year.

3 Represents a payment to the executive officer's registered retirement savings/employee share purchase plan.

4 Represents a payment to Mr. Franceschini's registered retirement savings/employee share purchase plan ($9,000) and a service award ($2,250).

5 Represents a payment to Mr. Wilson's registered retirement savings/employee share purchase plan ($10,533) and a service award ($1,350).

6 Represents a payment to Mr. Wilson's registered retirement savings/employee share purchase plan ($5,980) and a payout of vacation time that Mr. Wilson had accrued but not taken during his time at Stantec ($63,459).

7 Represents payments to Mr. Lester's registered retirement savings plan ($10,982) and in respect of the termination of Mr. Lester's employment ($692,000).

Option Grants During the Most Recently Completed Financial Year

No options were granted in 2005 to the Named Executive Officers.

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

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options at Financial Year End (#) Exercisable/Unexercisable	Value of Unexercised in-the-Money Options at Financial Year End[1] Exercisable/Unexercisable
A.P. Franceschini	nil	nil	142,000 / 60,000	$ 3,762,800 / $841,500
D.W. Wilson	nil	nil	32,501 / 5,499	$ 967,660 / $91,441
R.L. Alarie	5,000	$ 59,750	6,667 / 5,333	$ 138,672 / $88,328
M.E. Jackson	nil	nil	15,001 / 5,999	$ 327,435 / $100,816
W.B. Lester	nil	nil	10,335 / 5,665	$ 213,947 / $94,553

1 The closing price of Stantec's Common Shares on the TSX on December 31, 2005 was $39.75.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	938,264	$ 13.88	57,739[1]

1 This number is equal to the maximum number of Stantec options authorized to be issued under the Stantec Share Option Plan (1,754,938) less 758,935 Stantec options which have been exercised over the life of the Stantec Stock Option Plan less the 938,264 Stantec options outstanding as at December 31, 2005.

INDEBTEDNESS OF ANY DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

Stantec's management is not aware of any:

(a) indebtedness outstanding to Stantec or any of its subsidiaries by; or

(b) guarantees, support agreements, letters of credit or other similar arrangements provided by Stantec to;

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

EMPLOYMENT CONTRACTS

Anthony P. Franceschini

Stantec has an employment contract with Mr. Franceschini, effective January 1, 2003, which provides that Mr. Franceschini will remain Stantec's President and CEO until December 31, 2008. The contract provides for:

(a) an annual base salary of $375,000,

(b) an annual bonus of 1.5% of Stantec's annual net income before deductions for employee performance bonuses, executive bonuses and taxes, and

(c) options for Stantec Common Shares as follows:

Number of Options	Strike Price	Vesting Date	Expiry Date
30,000	$ 16.10	January 3, 2004	January 3, 2010
30,000	$ 18.85	January 3, 2005	January 3, 2011
30,000	$ 21.60	January 3, 2006	January 3, 2012
30,000	$ 24.35	January 3, 2007	January 3, 2013
30,000	$ 27.10	January 3, 2008	January 3, 2013

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

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

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

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

Donald W. Wilson

Stantec Consulting Ltd. ("Stantec Consulting") has an employment contract with Donald W. Wilson effective January 1, 2006. The contract provides Mr. Wilson with a bi-weekly salary and a discretionary annual bonus. Mr. Wilson's bi-weekly salary was set at $9,615.75 effective January 1, 2006.

If Stantec Consulting terminates Mr. Wilson's employment without cause, it must make a $250,000 lump sum payment to him together with a termination bonus equal to the bonus last paid to him pro rated for that portion of the year which has elapsed from the last fiscal year end to the date of termination of his employment (the "Termination Payments"). Mr. Wilson will also receive the Termination Payments if, within the two years following a change in control: (i) his salary is reduced; or (ii) his bonus is reduced to less than 50% of his last earned bonus. A change of control, for this purpose, would occur where a person acquires more than 50% of Stantec's Common Shares or where the nominees of a person holding at least 30% of Stantec's Common Shares are elected as directors and comprise a majority of the Board of Directors. In all other cases, Mr. Wilson may end his employment after giving Stantec Consulting three months' notice.

Mr. Wilson's agreement restricts him from competing with Stantec, soliciting Stantec employees, and soliciting Stantec clients for a period of two years following termination of his employment.

Raymond L. Alarie

Mr. Alarie is no longer employed with Stantec effective December 31, 2005.

Mark E. Jackson

Stantec Consulting has an employment contract with Mr. Jackson effective January 1, 2006. The contract provides Mr. Jackson with a bi-weekly salary and a discretionary annual bonus. Mr. Jackson's bi-weekly salary was set at $9,615.75 effective January 1, 2006.

If Stantec Consulting terminates Mr. Jackson without cause, it must make a $250,000 lump sum payment to him together with a termination bonus equal to the bonus last paid to him pro rated for that portion of the year which has elapsed from the last fiscal year end to the date of termination of his employment (the "Termination Payments"). Mr. Jackson will also receive the Termination Payments if, within the two years following a change in control: (i) his salary is reduced; or (ii) his bonus is reduced to less than 50% of his last earned bonus. A change of control, for this purpose, would occur where a person acquires more than 50% of Stantec's Common Shares or where the nominees of a person holding at least 30% of Stantec's Common Shares are elected as directors and comprise a majority of the Board of

Directors. In all other cases, Mr. Jackson may end his employment after giving Stantec Consulting three months' notice.

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

W. Barry Lester

Mr. Lester is no longer employed with Stantec effective December 31, 2005.

REPORT ON EXECUTIVE COMPENSATION

Composition of Corporate Governance and Compensation Committee

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

Compensation Philosophy

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

The base salary for each executive officer is determined by the position's responsibility, the position's importance to Stantec, and industry standards. Base salaries for executives other than the CEO are intended to provide a base level of compensation at the low end of the range for comparable positions. The amount of money available for executive bonuses is determined annually by the Corporate Governance and Compensation Committee and depends on Stantec's annual income before deductions for the CEO's bonus, employee performance bonuses, executive bonuses, and taxes. Annual bonuses for executive officers are discretionary and include a number of factors including individual performance and corporate performance. There are no set weights for each factor and factor weights may vary from year to year. In 2005, bonuses ranged from 129% to 310% of base salary for the Named Executive Officers.

Stantec also has an Employee Share Option Plan to provide long-term incentive to key employees, including executive officers. The Employee Share Option Plan is intended to

1. align the interests of employees and shareholders;
2. contribute to the growth of shareholder value;
3. constantly improve operating results;
4. retain key employees; and
5. encourage key employees to become Stantec shareholders.

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

- the employee's ability to contribute to Stantec's long-term success;
- the value of recognizing employees who may influence Stantec's future success;
- the amount and terms of any existing options which have been issued to that employee;
- the recommendation of the CEO; and
- such other factors as the Board of Directors feels are relevant with respect to any individual key employee.

Compensation of the Chief Executive Officer

Mr. Franceschini's compensation is determined according to his January 1, 2003 employment contract (see "EMPLOYMENT CONTRACTS" above). Mr. Franceschini's compensation is comprised of a base salary, an annual incentive bonus, and share options.

Because there are limited direct comparables for the CEO position, Mr. Franceschini's base salary was negotiated based on his overall experience, responsibility, and performance. His annual incentive bonus is tied directly to corporate performance. His share options, issued according to Stantec's Employee Share Option Plan, are a long-term incentive tied directly to the creation of shareholder value.

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

During 2005, Mr. Franceschini's compensation was allocated as follows (based on the terms of his employment agreement):

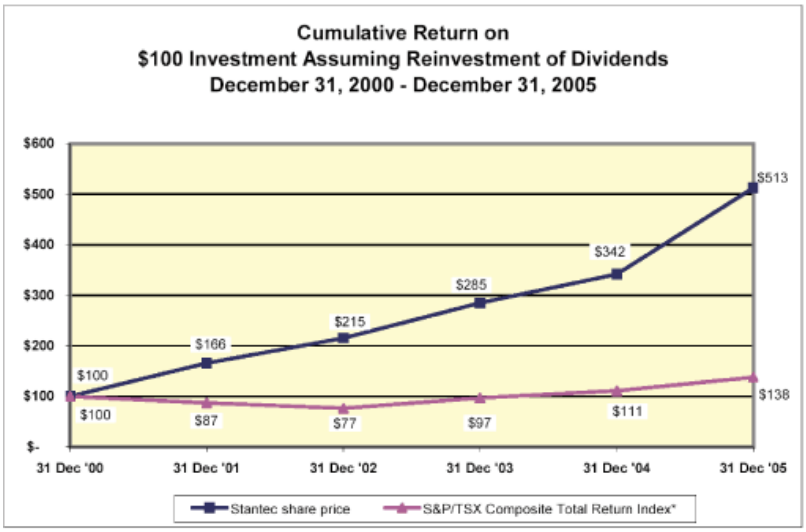
Base Salary: 24%
Annual Bonus: 76%

Submitted on behalf of the
Corporate Governance and Compensation Committee

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

PERFORMANCE GRAPH

The following graph compares the total shareholder return for $100 invested in Stantec Common Shares on December 31, 2000 against the total return of the S&P/TSX Composite Index over the same period.



*S&P/TSX Composite Index replaced the TSE 300 in May 2002. Data prior to May 2002 is from the TSE 300 Total Return Index and data from May 2002 is from the S&P/TSX Composite Index.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Stantec carries a directors' and officers' liability insurance policy with a maximum coverage of $50,000,000 a year and a $500,000 per claim deductible. Under this policy, Stantec is reimbursed for paying directors and officers as required, permitted by law, or permitted by Stantec's by-laws when claims are made against a director or officer for an alleged or actual wrong committed by him/her during the course of his/her duties to Stantec. Coverage also applies, with no deductible, to a director or officer where Stantec does not indemnify them. There are certain exclusions, including bodily injury, property damage, and for acts resulting in personal advantage to which the director or officer was not legally entitled. Some exclusions are covered under other insurance policies. The coverage is in effect from May 1, 2005 to May 1, 2006 and its total premium is $425,000.

2006 SHAREHOLDER PROPOSALS

Shareholder proposals must be submitted no later than December 15, 2006 to be considered for inclusion in next year's Management Information Circular for the purposes of Stantec's 2007 annual shareholder meeting.

ADDITIONAL INFORMATION

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

Any person may request and receive the following from Stantec's Corporate Secretary:

a) one copy of Stantec's Annual Information Form and one copy of documentation containing information referenced by the Annual Information Form;

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

c) one copy of Stantec's most recent Management Information Circular in respect of the most recent annual shareholder meeting that involved the election of directors.

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

Financial information about Stantec's financial year ended December 31, 2005 and comparative information for the year ended December 31, 2004, is contained in Stantec's financial statements and MD&A, both of which can be found in Stantec's Annual Report.

DIRECTORS' APPROVAL

Stantec's Board of Directors has approved the contents of this circular and the distribution of the circular to Stantec shareholders.



Jeffrey S. Lloyd
Vice President, Secretary and General Counsel
March 15, 2006

SCHEDULE "A"

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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

Board of Directors

Stantec's Board of Directors presently includes eight members, six of whom are unrelated to Stantec, independent of its management and free from any interest or relationship that could materially interfere with their ability to act in the best interests of Stantec or its shareholders. The six independent directors are Ronald P. Triffo, Robert J. Bradshaw, E. John (Jack) Finn, William D. Grace, Susan E. Hartman and Robert R. Mesel.

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

The six independent directors meet in executive session at least two times per year, with the two non-independent directors being excluded. The format of these meetings includes a discussion with the CEO on each occasion. For Stantec's fiscal 2005, the six independent directors met on eight separate occasions.

Ronald. P. Triffo is Chairman of Stantec's Board of Directors. Mr. Triffo is an independent director. For a description of the role and responsibilities of the Chairman, please refer to the description of "Chairman" set forth below under "Position Descriptions". In addition, we refer you to Mr. Triffo's biography on page 23 of this Information Circular.

Additional information relating to each director standing for nomination, including other public company boards on which they serve as well as their attendance record for all Board of Directors' and committee meetings during Stantec's fiscal year ended 2005 can be found on pages 23 through 26 of this Information Circular.

Board of Directors' Mandate

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

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

1. *Integrity of CEO and other Executive Officers*

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

2. *Adoption of a Corporate Strategic Planning Process*

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

3. *Managing Risks and Protecting Shareholder Value*

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

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

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

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

5. *Communications Policy*

   The Board of Directors shall ensure that Stantec has a policy in place to enable it to communicate effectively with shareholders, other stakeholders and the public generally, including the capital markets. Stantec's communications policy must effectively relate the operations of Stantec to shareholders and should facilitate open communication with shareholders. The CEO will be directly responsible for approving the issuance of any material communications to shareholders.

6. *Internal Corporate Controls and Management Information Systems*

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

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

Position Descriptions

The Board of Directors has developed position descriptions for the Chief Executive Officer, Board of Directors' Chairman, Vice-Chairman, the Chairman of the Corporate Governance and Compensation Committee, and the Chairman of the Audit Committee. Such position descriptions are as follows:

Chief Executive Officer Position Description

Appointment

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

Reporting and Review

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

Duties and Responsibilities

The CEO shall have full responsibility for the day-to-day operation of Stantec's business in accordance with Stantec's strategic plan and budgets as previously approved by the Board of Directors. In discharging this responsibility, and subject always to the oversight of the Board of Directors, the CEO shall:

- foster a corporate culture that promotes ethical practices and encourages individual integrity;
- work with the Chairman of the Board of Directors to ensure the Board of Directors is provided with all information and access to management necessary to allow it to fulfill its statutory, governance and other obligations in a timely manner;
- fully apprise the Board of Directors of all matters that are material to directors, and alert the Chairman in a timely manner of any material changes or events that may impact the risk profile, financial affairs or performance of Stantec;
- together with the Chairman, develop and recommend to the Board of Directors a long-term strategy and vision for Stantec that leads to enhancement of shareholder value;
- develop and recommend to the Board of Directors annual business plans and budgets that support Stantec's long-term strategy;
- consistently strive to achieve Stantec's financial and operating goals and objectives;
- promote continuous improvement in the quality and value of Stantec's services;
- seek to secure and maintain a competitive position for Stantec within its industry;
- ensure that Stantec has an effective management team below the level of CEO and has an active plan for management development and succession;
- implement policies and processes to ensure the integrity of Stantec's internal controls, management information and financial reporting;
- serve as the spokesperson for Stantec and oversee communication between Stantec and its shareholders, the investment community, media, governments and their agencies, employees and the general public.

Chairman

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

The Chairman shall:

- chair all meetings of the Board of Directors;
- oversee the Board of Directors' discharge of its duties assigned to it by law, in the constating documents of Stantec and the Corporate Governance Guidelines;
- together with the CEO, represent Stantec to employees, shareholders and other stakeholders;

- develop a good working relationship between the office of the Chairman, the President and CEO, and the Board of Directors to assure open communications, cooperation, interdependence, mutual trust, respect, and commonality of purpose;
- take steps to foster the Board of Directors' understanding of its responsibilities and boundaries with management;
- establish procedures to govern the effective and efficient conduct of the Board of Directors' work;
- establish the agenda for, and preside at all meetings of the Board of Directors and annual and special meetings of shareholders;
- oversee the distribution of information to the Board of Directors in a manageable form, sufficiently in advance of the meeting;
- oversee the functions delegated to the committees and monitor the committees' work to see that these functions are carried out and results are reported to the Board of Directors; and
- carry out other duties as requested by the Board of Directors.

Vice-Chairman

The prime responsibility of the Vice-Chairman of the Board of Directors is to support the Chairman of the Board of Directors in fulfilling his duties, and acting as a spokesperson for the Company as requested by the Chairman or the President and CEO.

The Vice-Chairman shall:

- attend all meetings of the Board of Directors;
- serve as a spokesperson for the Corporation as requested by the Chairman of the Board of Directors or the President and CEO;
- carry out special assignments as requested by the Chairman;
- participate as a vital part of the Board of Directors leadership; and
- perform other responsibilities as assigned by the Board of Directors.

Corporate Governance and Compensation Committee Chairman

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

The Chairman of the Corporate Governance and Compensation Committee shall:

- set the tone for the Corporate Governance and Compensation Committee work;

- set the agenda and chair Corporate Governance and Compensation Committee meetings, and ensure distribution of meeting minutes;
- oversee the logistics of the committee's operations and ensure compliance with the Corporate Governance and Compensation Committee Terms of Reference;
- report to the full Board of Directors on the Corporate Governance and Compensation Committee's decisions and recommendations; and
- chair the meetings of the Board of Directors in the absence of the Chairman of the Board of Directors.

Audit Committee Chairman

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

The Chairman of the Audit Committee shall:

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

Orientation and Continuing Education

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

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

In conjunction with Board of Directors' meetings, directors regularly take part in tours of Stantec's assets.

Ethical Business Conduct

The Board of Directors has adopted a code of ethics (the "Code"), which is our comprehensive code of business conduct and ethics, which provides a framework for directors, officers and employees on the conduct and ethical decision-making integral to their work. The Board of Directors, through its Corporate Governance and Compensation Committee, reviews the operation of the Code and any waivers thereof. The Code is reviewed at least annually to ensure that it complies with all legal requirements and is in alignment with best practices. In the event that amendments are needed, recommendations are made to the Corporate Governance and Compensation Committee and the Board of Directors for approval. The Code is available on our website at www.stantec.com and on SEDAR at www.sedar.com.

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

The Board of Directors believes that providing a forum for employees and officers to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness foster a culture of ethical conduct within Stantec. To review Stantec's whistleblower procedures, please visit our website at www.stantec.com.

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

Nomination of Directors

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

Compensation

The Corporate Governance and Compensation Committee annually reviews directors' compensation to ensure it is competitive and consistent with the responsibilities and risks involved in being an effective director. Details of directors' compensation are disclosed on

pages 26 to 27 of this Information Circular. Effective with fiscal 2004, the granting of options to directors under Stantec's Employee Share Option Plan was discontinued.

The Corporate Governance and Compensation Committee, composed entirely of "independent" directors, is responsible for annually reviewing and recommending to the full Board of Directors the compensation for the President, CEO and other senior executives. Details of executive compensation are disclosed on pages 27 to 28 of this Information Circular, and the Report on Executive Compensation, which includes a description of the process undertaken to determine "executive compensation" is found on pages 31 to 32.

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

Assessments

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

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

Communications Policy

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

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

The Disclosure Committee will meet prior to the release of Stantec's regular quarterly and annual disclosure documents. The committee also will meet as required to review and evaluate other disclosures, potential disclosures, or upon request of the CEO or CFO.

Compliance with NYSE Standards

As a foreign private issuer listed on the NYSE, Stantec is generally entitled to follow the Canadian requirements and 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 U.S. domestic companies under NYSE listing standards. These differences are summarized below:

- Section 303A.07(d) of the NYSE's Listed Company Manual requires each listed company to have an internal audit function. We do not have, and Canadian law and the rules of the TSX do not require us to have, an internal audit function.
- Section 303A.08 of the NYSE's Listed Company Manual requires shareholder approval of all "equity compensation plans" and material revisions.
    - The definition of "equity compensation plans" under the NYSE rules covers plans that provide for the delivery of newly issued securities, as well as plans which rely on securities reacquired on the market by the issuing company for the purpose of redistribution to employees and directors.
- The TSX rules require shareholder approval of security based compensation arrangements only in respect of arrangements which involve the delivery of newly issued securities.

  The TSX rules require shareholder approval of these arrangements when they are first introduced, and thereafter (a) every three years in respect of all unallocated options, rights or other entitlements under an arrangement with a rolling percentage maximum, or (b) at the time and in respect of, any amendment to such arrangements (unless the amendment relates to an arrangement previously approved by shareholders and which includes specific authority for certain TSX-specified types of amendments, and the proposed amendment is of the type so specified). Stock purchase plans where no financial assistance or discount is provided by the company for the purchase of securities are not subject to the shareholder approval requirement. We comply with the rules of the TSX.

SCHEDULE "B"

OPTION RESOLUTION

WHEREAS the Board of Directors has amended Stantec's Employment Share Option Plan to set the number of Common Shares reserved for issuance pursuant thereto;

AND WHEREAS shareholder approval is required to confirm such amendments.

BE IT RESOLVED THAT:

1. Stantec's Employee Share Option Plan (the "Plan") be amended to provide that the maximum number of Common Shares which may be reserved for issuance for all purposes under the Plan shall be equal to 2,257,063 Common Shares, being 10% of the issued and outstanding Common Shares on March 15, 2006 (on a non-diluted basis) and further subject to the applicable rules and regulations of all regulatory authorities to which the Corporation is subject; and
2. any of Stantec's officers is hereby authorized to execute and deliver, for and on Stantec's behalf, all such documents and to do all such other acts and things as may be considered necessary or desirable to give effect to this resolution.

SCHEDULE "C"

SUBDIVISION RESOLUTION

WHEREAS on February 23, 2006, the Board of Directors resolved to amend Stantec's articles relating to the subdivision of the issued Common Shares of the Corporation on a two (2) for one (1) basis to increase the total number of outstanding Common Shares;

AND WHEREAS shareholder approval is required to confirm such amendments;

BE IT RESOLVED THAT:

1. the Articles of the Corporation be amended to subdivide each issued Common Share of the Corporation on a two (2) for one (1) basis; and
2. any officer of the Corporation be and is hereby authorized to execute and deliver, for and on behalf of the Corporation, all such documents and to do all such other acts and things as may be considered necessary or desirable to give effect to this resolution, including but not limited to executing and filing the necessary Articles of Amendment, provided that the directors may, in their sole discretion, revoke this special resolution before the subdivision of the Common Shares is effected without further approval of the shareholders.

Exhibit 2

Stantec

TSX STN
NYSE SXC

Annual Information Form

March 30, 2006



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Caution Regarding Forward-Looking Statements

Stantec's public communications often include written or verbal forward-looking statements. Forward-looking statements are disclosures regarding possible events, conditions or results of operations that are based on assumptions about future economic conditions and courses of action and include future oriented financial information.

Statements of this type are included in this Annual Information Form (including documents incorporated by reference), and may be included in filings with Canadian securities regulators, or in other communications. Forward-looking statements may involve, but are not limited to, comments with respect to Stantec's objectives for 2006 and beyond, its strategies or future actions, its targets, its expectations for its financial condition or share price, and the results of or outlook for its operations or for the Canadian and US economies.

By their nature, forward-looking statements require Stantec to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Stantec cautions readers of this document not to place undue reliance on its forward-looking statements as 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.

In addition to the factors set out in "Risk Factors", the following factors, among others, could cause Stantec's actual results to differ materially from those projected in forward-looking statements:

- global capital market activities;
- interest rate and currency value fluctuations;
- 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 supply disruptions;
- industry and worldwide economic and political conditions;
- regulatory and statutory developments;
- the effects of competition in the geographic and business areas in which Stantec operates;
- management actions; and
- technological changes.

Investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Stantec does not undertake to update any forward-looking statement, whether written or verbal, that may be made, from time to time, by the organization or on its behalf.

CORPORATE STRUCTURE

Name, Address and Incorporation

Stantec Inc. was incorporated under the Canada Business Corporations Act on March 23, 1984 as

131277 Canada Ltd. Stantec's Articles of Incorporation were amended on several occasions, namely to change the name, amend share attributes, create and delete classes of shares, reorganize its outstanding share capital and split its common shares (the "Common Shares") on a two-for-one basis, and change the minimum and maximum number of directors.

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

The head and principal office of Stantec and its registered and records office are located at 10160 – 112 Street, Edmonton, Alberta, T5K 2L6.

References in this Annual Information Form to "Stantec" and the "Company" include, as the context may require, Stantec Inc. and all or some of the companies in which it has an interest collectively, or Stantec or one or more of such companies.

Intercorporate Relationships

The following chart lists, as at December 31, 2005, the intercorporate relationships among Stantec and Stantec's subsidiaries, the jurisdiction of incorporation of the companies, and the percentage of voting and restricted securities held by Stantec:

STANTEC INC.

SUBSIDIARY	PERCENTAGE OF VOTING SHARES	PERCENTAGE OF RESTRICTED SHARES*	JURISDICTION OF INCORPORATION
455499 B.C. Ltd.[1]	100	n/a	British Columbia
659243 B.C. Ltd.	100	n/a	British Columbia
0714993 B.C. Ltd.[2]	100	n/a	British Columbia
0715004 B.C. Ltd.[2]	100	n/a	British Columbia
0715007 B.C. Ltd.[2]	100	n/a	British Columbia
1208023 Alberta ULC[3]	100	n/a	Alberta
3053837 Nova Scotia Company	100	n/a	Nova Scotia
3102452 Nova Scotia Company[4]	100	n/a	Nova Scotia
Amerex International, Inc.[5]	100	n/a	British Virgin Islands
Architectura Inc.	0[6]	100	Alberta
APAI Architecture Inc.	100	n/a	British Columbia
CPV Architects & Engineers Ltd.[7]	100	n/a	British Columbia

SUBSIDIARY	PERCENTAGE OF VOTING SHARES	PERCENTAGE OF RESTRICTED SHARES*	JURISDICTION OF INCORPORATION
Dunlop Murphy Hilgers Architects Inc.	50	n/a	Ontario
J. Muller International • Stanley Joint Venture Inc.	30	n/a	New Brunswick
GKO Power Engineering Ltd.	100	n/a	Alberta
International Insurance Group Inc.	100	n/a	Barbados
Pentacore ADA Consulting, LLC	100	n/a	Nevada
Planning & Stantec Limited	51	n/a	Trinidad & Tobago
Project Delivery Holdings LLC	100	n/a	New York
SEA, Incorporated	100	100	Nevada
SB K-12 Architecture and Engineering, P.C.	0[6]	n/a	New Jersey
SSBV Consultants Inc.	33 1/3	n/a	British Columbia
Stantec Architecture Inc.	0[6]	n/a	North Carolina
Stantec Architecture Ltd.	0[6]	n/a	Canada
Stantec Consulting Associates P.C.[8]	0[6]	n/a	New York
Stantec Consulting Caribbean Ltd.	100	n/a	Barbados
Stantec Consulting Inc.	100	100	Arizona
Stantec Consulting International Ltd.	100	100	Canada
Stantec Consulting Ltd.	100	n/a	Canada
Stantec Consulting Michigan Inc.[5]	100	n/a	Michigan
Stantec Consulting Services Inc.	100	100	New York
Stantec Engineering (Puerto Rico) P.S.C.	0[6]	n/a	Puerto Rico
Stantec Facilities Ltd.	100	n/a	Alberta
Stantec Geomatics Ltd.	50[6]	100	Alberta
Stantec Holdings (Delaware) II Inc.	100	100	Delaware
Stantec Holdings (Delaware) III Inc.[9]	100	100	Delaware
Stantec Holdings Ltd.	100	100	Alberta

SUBSIDIARY	PERCENTAGE OF VOTING SHARES	PERCENTAGE OF RESTRICTED SHARES*	JURISDICTION OF INCORPORATION
Stantec International Enterprises Limited	100	100	Bahamas
Stantec International Limited	100	n/a	Barbados
Stantec Technology International Inc.	100	100	Delaware
Teshmont Consultants Inc.	50	n/a	Canada
UEI Associates, Inc.[5]	100	n/a	Texas
UEI Global I, Inc.[5]	100	n/a	Texas
Universal Energy do Brasil Ltda.[5]	100	n/a	Brazil

* In the context of this Annual Information Form, "Restricted Shares" means non-voting shares in the capital stock of the Company or a subsidiary of the Company, as the case may be.

1 Acquired as part of the acquisition of Keen Engineering Co. Ltd. See the General Development of Business section below and the acquisition section of the Description of the Business on page 13.

2 Incorporated on January 28, 2005.

3 Incorporated on December 1, 2005.

4 Incorporated on August 16, 2005.

5 Acquired as part of the acquisition of The Keith Companies, Inc. See the General Development of Business section below and the acquisition section of the Description of the Business on page 13.

6 Stantec has entered into an agreement with respect to 100% of the voting shares of this corporation that allows it to direct control over any disposition of the voting shares of this corporation.

7 Acquired as part of the acquisition of CPV Group Architects & Engineers Ltd. See the General Development of Business section below and the acquisition section of the Description of the Business on page 13.

8 Name changed from Sear-Brown Associates, P.C. on February 1, 2005.

9 Incorporated on August 4, 2005.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

Since Stantec's initial public offering in 1994, it has acquired a number of firms in Canada and the United States. The acquisitions completed in 2005 are as set out below:

July 2005	CPV Group Architects & Engineers Ltd.
September 2005	The Keith Companies, Inc.
October 2005	Keen Engineering Co. Ltd.

During 2003, Stantec realigned its organizational structure to accommodate increasing growth, including a redefinition of its regions and practice areas (see "Business Units" under "Description of the Business" below). Stantec completed four acquisitions in 2003. See "Description of the Business-Acquisitions".

During 2004, Stantec completed four acquisitions. Stantec also saw a change in its Board of Directors with the resignations of Robert E. Flynn and Stephen D. Lister and the additions of Robert R. Mesel and Susan E. Hartman.

On January 1, 2004, Stantec Global Technologies Ltd. amalgamated with Stantec Consulting Ltd. On August 13, 2004, Stantec sold its interest in Lockerbie Stanley Inc. In the fourth quarter of 2004, Stantec finalized the sale and leaseback of its office building (Stantec Centre) in Edmonton, Alberta to an arm's length purchaser.

On August 5, 2005, Stantec began trading on the New York Stock Exchange (the "NYSE") under the symbol "SXC". In September 2005, Stantec realigned its organizational structure to address succession planning, provide the foundation for future growth, and incorporate new staff who joined Stantec with the acquisition of The Keith Companies, Inc. (see "Description of the Business" for more information). Stantec also saw a change in its Board of Directors in November 2005 with the resignation of Neilson A. "Dutch" Bertholf, Jr. and the appointment of Aram H. Keith. Mr. Keith was also appointed Vice Chairman of the Board of Directors at that time. During 2005, Stantec completed three acquisitions, as described above. Stantec also sold its interest in The Spink Corporation which, at the time Spink was sold, operated Stantec's Sacramento based land survey operations only, and divested its operations in Columbia, South Carolina and Melville, New York.

Significant Acquisitions

See Stantec's Business Acquisition Report relating to the acquisition of The Keith Companies, Inc. dated November 25, 2005 and available on SEDAR at www.sedar.com. That Report is incorporated here by this reference.

Current Trends

Stantec competes in the professional consulting service industry. This industry, which includes the engineering, architecture and environmental sciences consulting industries, is highly fragmented. Stantec believes that industry trends continue to create acquisition opportunities. Stantec's goal is to continue to increase the size and profitability of Stantec. This goal will be accomplished partly through the acquisition of established professional consulting firms in Canada, the United States and internationally. Stantec's principal acquisition focus is in selected regions in the United States and Canada.

DESCRIPTION OF THE BUSINESS

Stantec provides professional consulting services in planning, engineering, architecture, interior design, landscape architecture, surveying and geomatics, environmental sciences, project management, and project economics for infrastructure and facilities projects. For the requirements of GAAP in Canada and the United States, Stantec has one reportable segment – Consulting Services.

Stantec uses a three-dimensional business model, as illustrated below, which is built on (i) geographic diversification, (ii) practice area specialization, and (iii) provision of services in all phases of a project's lifecycle. This model allows Stantec to manage risk while pursuing its objective of continued revenue and earnings growth.



Stantec provides services to clients in both the public and private sectors mainly in North America through integrated and discipline specific consulting and project delivery. Stantec's organization structure gives it both the strength and diversity of a large organization and a strong regional presence to deliver its services locally. Stantec's Consulting Services business unit focuses on providing total infrastructure solutions targeted to five practice areas—Buildings, Environment, Industrial & Project Management, Transportation, and Urban Land.

Business Units

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

In 2003, Stantec realigned its organizational units to better reflect its balanced regional focus and practice area specialization. The two largest and most mature regional operating units, Canada West and Canada Central, were further divided into smaller sub-regions. In 2005, the regional operating units were reduced from five to three: Canada, the US East, and the US West. At present, Stantec's Canada region includes the sub-regions of British Columbia, Alberta South, Alberta North, Saskatchewan/Manitoba, Ontario Southwest, Ontario GTA (Greater Toronto Area), and Ontario East. Stantec's US East region includes the Mid-Atlantic and New York sub-regions, and its US West region includes the Desert, Mountain, Pacific Central, Pacific North, and Pacific South sub-regions.

The five practice areas consist of 13 distinct specialist practice areas including the following:

1. Architecture, Interior Design, & Facilities Planning & Operations;
2. Buildings Engineering;
3. Program & Project Management;
4. Environmental Infrastructure;
5. Environmental Management;
6. Bio/Pharmaceuticals;
7. Manufacturing/Industrial;
8. Energy & Resources;

9. Infrastructure Management & Pavement Engineering;
10. Transportation;
11. Planning & Landscape Architecture;
12. Urban Land Engineering; and
13. Surveys/Geomatics.

The business units are managed using a three-dimensional matrix organization structure, which balances regional operations with Company-wide practice area service delivery. An illustration of Stantec's matrix organization structure is attached as Appendix I to this Annual Information Form.

Stantec currently has only one reportable segment, Consulting Services. The following chart illustrates the breakdown of gross revenue for 2005 and 2004:

	2005		2004	
Units	**($000)**	**%**	**($000)**	**%**
Consulting Services	618,020	100%	519,814	99.8%
Other	—		1,065	0.2%

Consulting Services Business Unit

Consulting Services are provided by Stantec in five provinces in Canada, 16 states in the United States, as well as Puerto Rico and other selected international markets. International projects generally have been in the water supply, wastewater treatment, environmental protection, transportation and health care sectors, often in countries with developing economies.

Stantec's staff and system capabilities allow it to undertake infrastructure and facilities projects of any size. Currently, most of Stantec's projects have total capital costs of less than $100 million and its potential fees from these types of projects are generally in the range of 10% of the capital costs, assuming it provides most of the services required. Joint ventures, associations or subcontract arrangements are often established to deal with larger projects. As a result, Stantec mitigates its overall risk by working on several thousand projects each year, none of which would normally exceed 5% of its revenue.

As mentioned above, Stantec's core capabilities in the Consulting Services area are provided through 13 specialist practice areas, most of which can generally be grouped into five broad practice areas: Buildings, Environment, Industrial & Project Management, Transportation, and Urban Land. Some specialist practice areas, such as Program & Project Management, are offered in all five practice areas.

Buildings Practice Area

Stantec provides comprehensive solutions for the design of buildings. Stantec's typical projects include hospitals, educational and recreational facilities, research and technology facilities, airports, office buildings and commercial centers. Services are delivered through two specialist practice areas: Architecture, Interior Design, & Facilities Planning & Operations, and Buildings Engineering. Stantec's services cover the full range of design and planning activities from the conception to the completion of projects, and include project/program management, facilities management, strategic planning, architectural design, interior design, and structural, mechanical and electrical engineering. Stantec's projects include new buildings and renovations and expansions to existing structures. In addition, for existing buildings and facilities, Stantec provides expertise in building operating systems, performance engineering, and ongoing tenant improvements. Stantec is sought out for its

sustainable design expertise and for its ability to maximize the efficiency of a building's existing systems and improve its air quality, lighting and energy efficiency.

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

Environment Practice Area

Stantec applies its specialized knowledge and experience to develop and manage sustainable solutions for air, water, and soil quality. Services are focused in two specialist practice areas: Environmental Infrastructure and Environmental Management. The core services Stantec provides in these two areas include the following:

- Assimilative capacity
- Wastewater collection systems
- Municipal and industrial wastewater treatment
- Infiltration and inflow/combined and sanitary sewer overflow
- Odor and corrosion control
- Wastewater pumping
- Water treatment
- Water storage
- Distribution systems
- Water reclamation and reuse
- Environmental site management
- Environmental assessment
- Water resources management
- Heritage and natural resource assessment
- Waste management
- Risk assessment
- Health and safety
- Air quality assessment
- Ecotoxicology and good laboratory practice testing
- Microbiology laboratory

Stantec also has specialized expertise in advanced processes for water and wastewater solutions, including biological/enhanced nutrient removal (BNR/ENR), microbiological assessment of activated sludge and advanced water treatment. Stantec's environment services provide multidisciplinary teams of qualified and experienced engineers, scientists, process specialists, occupational hygienists, and specialists in environmental regulation and policy.

Industrial & Project Management Practice Area

Stantec's comprehensive industrial services are provided in four specialist practice areas: Bio/Pharmaceuticals, Manufacturing/Industrial, Energy & Resources, and Program & Project Management. Services are provided to clients principally in the private sector in the automotive, chemical, consumer products, forestry, food and beverage, bio/pharmaceuticals, power generation, pulp and paper, utilities, mining and general manufacturing sectors. Stantec's services to these clients include planning, engineering, and project management. Stantec also provides specialty services, including occupational health and safety (industrial hygiene and prestart operator safety reviews), system integration, instrumentation and control, electrical energy and power management,

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

Transportation Practice Area

Stantec offers coordinated solutions for the safe and efficient movement of people and goods. Stantec's core services include project management, planning, engineering, and construction administration, which Stantec provides through two specialist practice areas: Transportation, and Infrastructure Management & Pavement Engineering. Services include transportation master plans for communities and airports; transportation investment studies; design of new and upgraded airport facilities, such as terminals, runways, and taxiways; transit facilities, such as bus and light rail transit systems; new and upgraded bridges; urban roadways; freeways; interchanges; rural highways; and rail systems. Stantec's specialty services include simulation modeling, a comprehensive understanding of transportation demand and supply management principles, extensive use of a range of life cycle cost and statistical analysis techniques, and public consultation and environmental assessment skills in developing practical, cost-effective, long-term infrastructure facility plans with broad public support.

A key feature of Stantec's Transportation services is its expertise in integrated infrastructure/asset management systems and decision-support tools. Stantec's Infrastructure Management & Pavement Engineering group includes transportation and bridge engineers, roadway and bridge inspection specialists, infrastructure management specialists, geographic information system specialists, and software specialists. This team designs, develops, and implements integrated infrastructure/asset management systems and work management applications for pavement, bridges, right-of-way features, water, wastewater, storm water, utilities, and other assets. These systems allow governments to prioritize and to optimize the use of available funds through efficient and cost-effective planning for public works maintenance, rehabilitation, and capital projects.

Stantec's clients in the Transportation practice area are primarily public sector agencies and transportation authorities, as well as some commercial and institutional clients.

Urban Land Practice Area

Services in the Urban Land practice area include planning, engineering, surveying, and landscape architecture. These services are provided principally to the land development and real estate industries. Services are delivered through three specialist practice areas: Planning & Landscape Architecture, Urban Land Engineering, and Surveys/Geomatics. Stantec assists its urban land clients through the entire land development process providing services from the initial master planning of the development to design and staking for the construction of the infrastructure. Services include or relate to conceptual plans, urban planning, master plans, zoning approval and entitlement, designing grading and infrastructure, landscape architecture, design construction review, and construction surveying.

Acquisitions

The following list summarizes acquisitions made by Stantec during its three most recently completed financial years:

Year	Business Acquired	Nature of Business
2005	CPV Group Architects & Engineers Ltd.	Provides architecture, interior design and structural engineering services in Alberta and British Columbia.
2005	The Keith Companies, Inc.	Provides multi-disciplined engineering and consulting services in California, Oregon, Nevada, Arizona, Texas, Michigan and Utah.
2005	Keen Engineering Co. Ltd.	Provides consulting engineering services specializing in sustainable mechanical, electrical and plumbing design for buildings and facilities in British Columbia, Alberta, Ontario, Washington and California.
2004	The Sear-Brown Group, Inc.	Provides engineering, planning, and architectural services in New York, Ohio, Pennsylvania and Puerto Rico
2004	GBR Architects Limited	Provides architectural design services in Manitoba
2004	Dunlop Architects Inc.	Provides architectural design services in Ontario
2004	Shaflik Engineering Ltd. (asset purchase)	Provides electrical engineering services specializing in traffic and sport facility lighting
2003	Ecological Services Group Inc.	Provides environmental management services in Ontario
2003	APAI Architecture Inc.	Provides architectural design services in British Columbia
2003	Optimum Energy Management Inc. (asset purchase)	Provides engineering management consulting services in Alberta
2003	Inner Dimension Design Associates Inc. (asset purchase)	Provides interior design services in Saskatchewan

Stantec expects that the number of acquisitions it completes will fluctuate from time to time because of the availability of suitable firms on terms acceptable to Stantec. In addition, at any given time Stantec may be focusing its efforts on integrating previously acquired firms, which will reduce its acquisition activity.

Generally, Stantec seeks to acquire firms with 50 or more employees which will complement one of its existing practice areas or regions or which will add a new practice area or regional presence. Stantec considers smaller acquisitions in markets in which it has existing operations.

Stantec has experienced internal growth when existing clients of newly acquired firms are offered the additional services that Stantec provides. Similarly, acquired firms' services are cross-marketed to Stantec's existing clients. Stantec achieves moderate cost savings through the sharing of administrative overhead, such as payroll services, the sharing of office facilities, if possible, and the provision of group insurance and centralized financing which can generally be provided at lower rates than smaller firms can obtain.

Research and Development

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

Employees

As at December 31, 2005, Stantec had 5,511 staff. This total staff number is comprised of 2,669 professionals, 2,049 technologists and technicians, and 793 support personnel.

Stantec is a knowledge-based organization and is always seeking talented and skilled professionals in all of its specialist practice areas. Since the supply of qualified candidates at times is limited, Stantec uses various recruitment strategies to address those needs. Examples of Stantec's recruitment strategies include an employee referral bonus program, website job postings, career fairs, student programs and the ability to offer geographic mobility.

Competitive Conditions

Stantec works in highly competitive markets and has numerous competitors for all of the services it offers. The number and identity of competitors varies widely with the type of service Stantec provides. Moreover, for small to medium sized projects, Stantec competes with many engineering, architectural and other professional consulting firms. With larger projects, there are fewer but still many competitors; however, some of these competitors have greater financial and other resources than those of Stantec. While Stantec competes with other large private and public companies in certain geographic locations, Stantec's primary competitors are smaller privately held regional firms in the United States and Canada.

Stantec believes that its operating structure, its enterprise systems and the breadth of its professional services differentiate it from other engineering, architecture and professional consulting firms. Furthermore, Stantec's focus on small to midsize projects distinguishes it from some larger competitors.

The principal competitive factors in the services Stantec offers are: reputation; experience; breadth and quality of services; technical proficiency; local offices; competitive total project fees; and service delivery. Given the expanding demand for the services Stantec provides, it is likely that additional competitors will emerge. Notwithstanding this increased competition, Stantec believes that it will retain the ability to compete effectively because of its strengths and expertise in engineering, architecture and related professional services.

Stantec serves many diverse clients in both the private and public sectors. Stantec seeks to establish ongoing relationships with clients that are likely to produce repeat business. Stantec is not dependent on any one client or group of clients for its business. No single client represents more than 5% of total revenue.

Stantec offers a range of pricing structures to its clients but primarily offers its services based on either a fixed or variable fee contract with a ceiling or a time-and-material contract without a stated ceiling. Stantec secures its assignments primarily based on its expertise and contacts, and sometimes on a competitive bidding process.

Social or Environmental Policies

Stantec has adopted an Environment, Health and Safety policy, which provides that Stantec will carry out the following:

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

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

Foreign Operations

Stantec conducts a portion of its business outside of Canada and the United States. Specifically, foreign operations include operating offices in Barbados and Puerto Rico, and ongoing projects in the Caribbean (Barbados, Trinidad, Tobago, Antigua, Belize and Puerto Rico), in Asia (China, India, Afghanistan and Korea), in South America (Peru, Brazil and Bolivia), and in other locations (Cyprus, Mexico, Madagascar, Kenya and Pakistan). Such operations accounted for 1% of Stantec's revenues in 2005. Some of this work involves political risk, contracts with foreign clients and working under foreign legal systems.

Dividend Policy

Stantec currently has no plans to pay dividends on its Common Shares. Instead, Stantec plans to reinvest its net income to continue its corporate strategy of growth. The payment of dividends on Common Shares in the future will depend on the need of Stantec to finance growth, the financial condition of Stantec and other factors which the Board of Directors may consider appropriate in the circumstances.

RISK FACTORS

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

The nature of Stantec's business exposes it to potential liability claims and contract disputes, which may reduce its profits.

Stantec's operations are subject to the risk of third-party claims in the normal course of its business, some of which may be substantial. Stantec has 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 its projects or other matters. Any litigation resulting from Stantec's business operations could distract management 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 Stantec may not be fully insured and which could harm its reputation. Any of these circumstances could adversely affect Stantec's profitability.

If Stantec experiences delays and/or defaults in customer payments, it could suffer liquidity problems or be unable to recover its expenditures.

Because of the nature of Stantec's contracts, at times Stantec commits 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 Stantec to make a working capital investment. If a customer defaults in making payments on a project to which Stantec has devoted significant resources, it could have a material negative effect on its liquidity as well as the results of its operations. In addition, clients who withhold payment are more likely to bring claims against Stantec and have a higher tendency toward dissatisfaction with the services it provides.

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

On a pro forma basis, after giving effect to the Keith merger as if it had occurred on January 1, 2005, Stantec estimates that approximately 39% of its 2005 gross revenue would have been derived from services related to residential and commercial real estate development projects. Consequently, reduced demand in the real estate market would likely have an adverse impact on Stantec's Urban Land group. The real estate market, and, therefore, Stantec's 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; and
- Natural or human-made disasters and other factors that are beyond Stantec's control.

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

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

Goodwill and other intangible assets represent approximately 43% of Stantec's total assets. When Stantec acquires a consulting business, a significant portion of the purchase price for the acquisition is generally allocated to goodwill and other identifiable intangible assets. The amount of the purchase price allocated to goodwill is determined by the excess of the purchase price paid by Stantec to acquire the consulting business over the fair value of the net identifiable assets acquired.

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

Adverse weather conditions and natural or other disasters may cause a delay or eliminate net revenue which otherwise would have been realized and thus adversely affect Stantec's profitability.

Stantec's field activities are generally performed outdoors and may include surveying, archeology, plant start-up and testing, and plant operations. Certain weather conditions or natural and other disasters, such as fire, floods, and similar events, may cause postponements in the initiation and/ or completion of its field activities and may hinder the ability of its office employees to arrive at work, which may result in a delay or elimination of revenue that otherwise would have been recognized while certain costs continued to be incurred. Adverse weather conditions or disasters may also delay or eliminate Stantec's initiation and/or completion of the various phases of work relating to other engineering services that commence concurrent with or subsequent to Stantec's field activities. Any delay in the completion of Stantec's field, office, and/or other activities may require it to incur additional costs attributable to overtime work necessary to meet its client's required schedule. Due to various factors, a delay in the commencement or completion of a project may also result in the cancellation of the contract. As a result, Stantec's net revenue and profitability may be adversely affected.

If Stantec is unable to manage its growth effectively, it may experience a decline in its revenue and profitability.

Stantec has grown rapidly in the recent past, and intends to pursue further growth through acquisitions and otherwise as part of its business strategy. However, there is a risk that Stantec may not be able to manage its growth effectively and efficiently. Stantec's inability to manage its growth could cause it to incur unforeseen costs, time delays, or other negative impacts, any of which could cause a decline in its revenue and profitability. Stantec's rapid growth has presented, and will continue to present, numerous administrative and operational challenges, including the management of an expanding array of engineering and consulting services, the assimilation of financial reporting systems, increased pressure on its senior management, and increased demand on its systems and internal controls. Furthermore, as Stantec expands its service offerings and geographic presence, it may not be able to maintain the current quality of its services.

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

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

Stantec's rationale for acquiring a firm is, in part, predicated on its ability to leverage the combined strengths of the two companies to increase its opportunities and grow its revenue. Integrating an acquired firm's operations and staff into Stantec's own is a complex endeavor, and it 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 businesses and prevent it from realizing the anticipated improvement in professional service offerings, market penetration, and geographic presence that forms the foundation for the acquisition.

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 Stantec's business and results. Therefore, the success of an acquisition will depend in part on Stantec's 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, the integration, or a desire not to remain with the combined company. Accordingly, Stantec may be unable to retain key employees to the same extent that it was able to do so in the past.

From time to time Stantec has pursued and may continue to pursue and invest in business opportunities that are not directly within its 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 Stantec into businesses that it has not previously conducted and expose it to additional business risks that are different than those it has traditionally experienced. Consequently, Stantec may depend in part on the knowledge and expertise of the professional service providers and management teams that it acquires in order to make these business opportunities profitable. New business opportunities frequently bring a learning curve that may require substantial management time, which may create a distraction from Stantec's day-to-day business operations. If these business opportunities do not perform as anticipated or are not profitable, Stantec's earnings during those periods of greater learning may be materially adversely affected, and Stantec may experience a partial or complete loss of its investment.

If Stantec is unable to engage qualified subconsultants, it may lose projects, revenue, and clients.

Stantec often contracts with outside companies to perform designated portions of the services it provides to its clients. In 2005 subconsultant costs accounted for approximately 9.6% (2004, 8.6%) of Stantec's gross revenue. If Stantec is unable to engage qualified subconsultants, its ability to perform under some of its contracts may be impeded and the quality of its service may decline. As a consequence, Stantec may lose projects, revenue and clients.

Stantec may have difficulty in attracting and retaining qualified staff, which may affect its reputation in the market place and restrict its ability to implement its business strategy.

Stantec derives its revenue almost exclusively from services performed by its employees. Consequently, one of the key drivers of Stantec's business is its ability to attract and retain qualified staff. However, Stantec 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 Stantec's services from major and boutique consulting, engineering, public agency, research and other professional services firms. Stantec's inability to attract and retain qualified staff could impede its ability to secure and complete engagements, in which event it may lose market share and its revenue and profits could decline. In addition, if Stantec's employees were to leave the Company and become Stantec's competitors, Stantec could lose other employees and some of its existing clients who have formed relationships with such former employees. Stantec could also lose future clients to a former employee as a new competitor. In either event, Stantec could lose clients and revenue, and its profitability could decline.

Stantec's backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of its future earnings.

As of December 31, 2005, Stantec's backlog was approximately $588 million. However, the revenue projected in its backlog may not be realized or, if realized, may not result in profits. Projects may remain in Stantec's 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 Stantec's backlog. Backlog reductions can adversely affect the revenue and profit Stantec actually receives from contracts reflected in its backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of Stantec's backlog and the revenue and profits that it actually receives. Finally, poor project or contract performance could also impact Stantec's profits.

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

Stantec conducts its business under various types of contractual arrangements, most of which are fee-for-service agreements. However, approximately 73% of the dollar-value of its contracts in 2005 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, Stantec performs services at a stipulated price. Under time-and-materials contracts with not-to-exceed provisions, Stantec is 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, Stantec agrees to provide its services based on its 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 Stantec's ability to control. The underestimation of costs for these types of contracts may cause Stantec to incur losses or result in a project not being as profitable as it expects. In addition, projects that are not completed on schedule further reduce profitability because staff must continue to work on the project longer than anticipated, which may prevent them from pursuing and working on new projects. Projects that are over budget or not on schedule may also lead to client dissatisfaction.

One of Stantec's primary competitive advantages is its reputation and experience. If Stantec's reputation is damaged due to client dissatisfaction, its ability to win additional business may be materially damaged.

Although Stantec serves many diverse clients and is not dependent on any one client or group of clients to sustain its business, Stantec's reputation for delivering effective and efficient solutions for

complex projects is one of its most valuable business development assets. The loss of this reputation due to client dissatisfaction represents a significant risk to Stantec's ability to win additional business both from existing clients and from those with whom it may have dealings in the future.

Stantec's insurance may not cover all claims for which it may be liable and expenses related to insurance coverage may adversely impact its profitability.

Although Stantec believes that it has made adequate arrangements for insuring against potential liability claims, these arrangements may be insufficient to cover any particular risk. When it is determined that Stantec has liability, it may not be covered by insurance or, if covered, the dollar amount of these liabilities may exceed its policy limits. Stantec's professional liability coverage is on a "claims-made" basis, covering only claims actually made during the policy period currently in effect. In addition, even where insurance is maintained for such exposures, the policies have deductibles resulting in Stantec's assuming exposure for a layer of coverage with respect to any such claims. Any liability not covered by Stantec's insurance, in excess of its insurance limits, or covered by insurance but subject to a high deductible could result in a significant loss for Stantec, which may reduce its profits and cash available for operations. Moreover, Stantec may become subject to liability that cannot be insured against or against which it may choose not to insure because of high premium costs or for other reasons. Stantec's expansion into new services or geographic areas could result in its failure to obtain coverage for these services or areas, or the coverage being offered may be at a higher cost than its current coverage. Due to the current insurance environment, Stantec has experienced and may continue to experience an increase in its insurance premiums. Stantec may not be able to pass these increases on to its clients in increased billing rates.

Stantec maintains insurance coverage for its operations, including policies covering general liability, automobile liability, environmental liability, workers' compensation and employers' liability, directors' and officers' liability, and professional liability. 'In September 2003 Stantec established 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. Stantec, or its clients, also obtain project-specific insurance for designated projects from time to time. Stantec also invests resources in a Risk Management team that is dedicated to providing Company-wide support and guidance on risk avoidance practices and procedures. One of Stantec's practices is to carry out select client evaluations, including credit risk appraisals, before entering into contract agreements to reduce the risk of non-payment for its services.

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

The markets Stantec serves are highly competitive, and it has numerous competitors for the services it offers. 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 Stantec provides. For small- to medium-sized projects, Stantec competes 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 Stantec does. Although Stantec competes with other large private and public companies in certain geographic locations, Stantec's primary competitors are smaller, privately held regional firms in the United States and Canada. Generally, competition places downward pressure on Stantec's 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 Stantec's ability to maintain strong growth rates and acceptable profit margins. If Stantec is unable to meet these

competitive challenges, it could lose market share to its competitors and experience an overall reduction in its profits. Stantec may not be able to compete successfully with such competitors, and such competition could cause it to lose customers, increase expenditures, or reduce pricing, any of which could have a material adverse effect on its earnings and stock price.

Economic downturns could have a negative impact on Stantec's businesses as its clients may curtail investment in infrastructure projects.

Demand for the services Stantec offers has been, and is expected to continue to be, subject to significant fluctuations due to a variety of factors beyond its control, including economic conditions. During economic downturns, the ability of both private and governmental entities to make expenditures may decline significantly, which would have a material adverse effect on Stantec's revenue and profitability. Stantec cannot be certain that economic or political conditions will generally be favorable or that there will not be significant fluctuations that adversely affect its industry as a whole or the key markets it targets.

If Stantec needs to sell or issue additional Common Shares and/or incur additional debt to finance future acquisitions, share ownership could be diluted and its results of operations could be adversely affected.

Stantec's business strategy is to expand into new markets and enhance its position in existing markets through the acquisition of complementary businesses. In order to successfully complete targeted acquisitions or to fund its other activities, Stantec may issue additional equity securities that could dilute share ownership. Stantec may also incur additional debt if it acquires another company, and this could increase Stantec's debt repayment obligations, which could have a negative impact on its future liquidity and profitability.

Stantec currently has a $160 million credit facility. However, Stantec has no assurance that debt financing will continue to be available from its current lenders or other financial institutions on similar terms.

Because Stantec reports its results in Canadian dollars and a substantial portion of its revenue and expenses are recorded in US dollars, its results are subject to currency exchange risk.

Although Stantec reports its financial results in Canadian dollars, a substantial portion of its 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. Stantec expects to continue to report its financial results in Canadian dollars in accordance with Canadian GAAP measures. Therefore, if the Canadian dollar were to strengthen relative to the US dollar and other currencies, the amount of net income from Stantec's non-Canadian-dollar-denominated business could decrease, which could have a material adverse effect on its 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, 2005, December 31, 2004, December 31, 2003, and December 31, 2002, for C$1.00 were US$0.86, US$0.83, US$0.77, and US$0.72, respectively. Furthermore, this volatility may continue in the future, and, as discussed above, increases in the strength of the Canadian dollar relative to the US dollar may have a negative impact on the results of Stantec's operations.

From time to time Stantec enters into forward contracts to manage risk associated with net operating assets outside its 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 the changes occur. As a result, Stantec may not benefit from any weakening of the Canadian dollar relative to the US dollar.

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

Stantec may not be able to locate suitable acquisitions or to consummate any such transactions on terms and conditions that are acceptable to it. 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 Stantec's competitors are much larger than it, have greater financial resources, and can better afford to pay a premium for potential acquisition candidates. If Stantec is unable to effectively compete for or to locate suitable acquisitions, its business will not grow in the manner it expects, and it will have difficulty achieving its growth plan.

To help reduce its susceptibility to industry-specific and regional economic cycles and to take advantage of economies of scale in the highly fragmented professional services industry, Stantec intends to continue to diversify its business both in terms of geographic presence and service offerings. Since the beginning of 2002, Stantec has completed 21 acquisitions, and expects to continue to pursue selective acquisitions of businesses that will enable it to enhance its market penetration and increase and diversify its revenue base.

Stantec derives significant revenue from contracts with government agencies. Any disruption in government funding or in Stantec's relationship with those agencies could adversely affect its business.

The demand for Stantec's services is related to the level of government funding that is allocated for rebuilding, improving, and expanding infrastructure systems. Stantec derives a significant amount of its revenue from government or government-funded projects and expects to continue to do so in the future. Between 40 and 55% of Stantec's gross revenue during the years ended December 31, 2002, through December 31, 2005 was derived from government or government-funded projects. Significant changes in the level of government funding could have an unfavorable impact on Stantec's business, financial position, results of operations, and cash flows.

Stantec believes that the success and further development of its business depend, in part, on the continued funding of these government programs and on Stantec's 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 Stantec cannot be assured of its continued work under these contracts in the future. In addition, government agencies can terminate these contracts at their convenience. As a result, Stantec may incur costs in connection with the termination of these contracts and suffer a loss of business. As well, contracts with government agencies are sometimes subject to substantial regulation and audit of the actual costs incurred. Consequently, there may be a downward adjustment to Stantec's revenue if accrued recoverable costs exceed actual recoverable costs.

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

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

Stantec may not be able to adequately protect its intellectual property, which could force it to take costly protective measures such as litigation.

Stantec relies primarily upon trade secret laws to protect its proprietary rights in its specialized technologies. There can be no assurance that the protection provided to its proprietary technology by the laws of foreign jurisdictions would be substantially similar to the remedies available to Stantec under the laws of Canada and the United States.

Stantec's share price has historically been subject to volatility. As a result, the price of Stantec's Common Shares may decrease in the future due to a number of Company- and industry-specific or general economic factors.

Stantec's share price has experienced volatility in the past and will likely be volatile in the future. For example, the high and low closing sales prices on the Toronto Stock Exchange (the "TSX") for Stantec's Common Shares during the 52 weeks ended December 31, 2005, were $40.39 and $24.50, respectively.

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

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

Stantec's share price could be adversely affected if a large number of its Common Shares are offered for sale or sold.

There may be instances in which Stantec negotiates an acquisition where the consideration for the purchase may include Stantec shares. In the event that the acquired entity shareholders subsequently decide to dispose of Stantec shares following the acquisition, there could be a large supply of Stantec's Common Shares on the market. If the supply of Stantec's Common Shares is significantly greater than the associated demand, the market price of Stantec's Common Shares may significantly decline and may not recover.

Managing Stantec's Risks

Stantec mitigates its risk factors through its business strategy and other measures. Stantec's three-dimensional business model based on geographic, practice area, and life cycle diversification reduces its dependency on any particular industry or economic sector for its income. Stantec also differentiates itself from competitors by entering into a diverse range of contracts with a variety of fee amounts. Currently, the majority of assignments Stantec pursues are small to midsize projects with a capital value of less than $100 million offering potential project fees for Stantec of less than $10 million. These types of projects represent the largest share of the infrastructure and facilities market. Focusing on this project mix continues to ensure that Stantec does not rely on a few large, single projects for its revenue and that no single client or project accounts for more than 5% of its overall business.

To address the risk of competition for qualified personnel, Stantec offers a number of employment incentives, including training programs, access to a plan that provides the benefit of employee share ownership (for Canadian employees), and opportunities for professional development and enhancement, along with compensation plans that Stantec believes to be competitive, flexible, and designed to reward top performance. In 2004 Stantec completed an extensive review of its benefits programs for its Canadian and US employees with the objectives of providing more personal choice in coverage and emphasizing wellness and preventative care. Stantec's new plans were implemented in the first quarter of 2005.

In 2004 Stantec created a Practice Enhancement team to champion continuous improvement in project management and the sharing of best practices across the Company, along with promoting the enhanced reliability and consistency of the services it provides to clients. In addition, Stantec expanded its Company-wide project manager training program in 2004. This program is aimed at skill development in risk mitigation, project planning, quality control and assurance, and financial administration, among other project management responsibilities. In 2005 Stantec implemented project manager and leadership portal dashboard training programs designed to enhance the visibility of financially related information to assist its operations leadership in improving performance and decision making. Stantec recognizes that through improved project management across its operations it will increase its ability to deliver projects on schedule and within budget.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Stantec consists of an unlimited number of preferred shares, issuable in series (the "Preferred Shares"), and an unlimited number of Common Shares of which, as at December 31, 2005, no Preferred Shares and 22,371,827 Common Shares have been issued and are outstanding. The number of Common Shares issued and outstanding as at December 31, 2005 includes 58,696 Common Shares issued in connection with the acquisition of The Keith Companies, Inc. to former holders of shares of The Keith Companies, Inc. These shares are subject to restrictions on transfer which mirror the restrictions previously imposed on the holders of The Keith Companies, Inc. shares (the "Restricted Shares"). In accordance with Canadian and US GAAP, the Restricted Shares are considered to be contingently returnable shares and, therefore, have not been included in the basic earnings per share calculation and the outstanding share data information presented in Stantec's Management's Discussion and Analysis and in the annual financial statements for the year ended December 31, 2005. The material rights, privileges, restrictions and conditions attached to the Preferred Shares and the Common Shares (including the Restricted Shares) are summarized below.

Preferred Shares

The Preferred Shares may be issued in one or more series, 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 the Board of Directors of Stantec. The holders of the Preferred Shares as a class are not entitled to receive notice of or to attend any meeting of the shareholders of Stantec 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 the Board of Directors of Stantec, dividends in such amount and in such form as the Board of Directors of Stantec may from time to time determine. The holders of the Common Shares are entitled to receive notice of and to attend all meetings of shareholders of Stantec 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 shares of Stantec 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 liquidation, dissolution or winding-up of Stantec.

MARKET FOR SECURITIES

Stantec's Common Shares are listed for trading on the TSX under the symbol "STN" and, since August 5, 2005, on the NYSE under the symbol "SXC". The trading information on the TSX for the period from January 1, 2005 to December 31, 2005 is set out below:

Month	High ($)	Low ($)	Volume*
January	26.40	24.50	458,500
February	28.00	24.61	400,500
March	29.25	27.32	540,600
April	29.45	27.65	732,400
May	30.50	28.02	791,000
June	32.99	29.80	714,400
July	32.93	29.85	665,300
August	39.97	32.80	823,400
September	37.95	34.06	1,069,900
October	38.95	35.40	1,139,600
November	40.39	35.55	694,500
December	40.00	37.25	370,500
			8,400,600

* Volume numbers are rounded to the nearest hundred shares.

The trading information on the NYSE for the period from October 1, 2005 to December 31, 2005 is set out below:

Month	High ($)	Low ($)	Volume*
October	34.41	32.77	77,900
November	34.50	31.00	247,400
December	32.59	30.07	229,500
			554,800

* Volume numbers are rounded to the nearest hundred shares.

AUDIT COMMITTEE INFORMATION

Audit Committee Terms of Reference

The responsibilities and duties of Stantec's Audit Committee are set out in the Committee's Terms of Reference, the text of which is attached as Appendix II to this Annual Information Form.

Composition of the Audit Committee

Stantec's Audit Committee is made up of the following three members: William (Bill) Grace (Chairman), John (Jack) Finn and Robert Mesel.

The Board of Directors believes that the composition of the Audit Committee reflects an appropriate level of financial literacy and expertise. Each member of the Audit Committee has been determined by the Board to be "independent" and "financially literate" as such terms are defined under Canadian securities laws. In addition, the Board has determined that Mr. Grace is an "Audit Committee Financial Expert" as such term is defined in the rules and regulations of the United States Securities and Exchange Commission. The following is a description of the education and experience of each member of the Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee:

William D. Grace is a graduate of the University of Alberta and a Fellow Chartered Accountant (FCA). During his business career, Mr. Grace served as the chief financial officer with several Alberta corporations including Chieftain Development Co. Ltd., R. Angus (Alberta) Limited and Canadian Utilities Limited. From 1988 to 1994, Mr. Grace was a managing partner in the Edmonton office of Price Waterhouse. Mr. Grace is the recipient of several awards including the Alberta Achievement Award from the Province of Alberta, the Lifetime Achievement Award from the Alberta Institute of Chartered Accountants and the University of Alberta Alumni Award of Excellence. Mr. Grace currently holds a number of corporate directorships with public corporations in addition to Stantec, including the Forzani Group Ltd., Melcor Developments, Millar Western Forest Products and several private companies. He is also the independent chairman of the Edmonton Pipe Industry Pension Trust and Health & Welfare Funds, a director of the Mutual Fund Dealers Association of Canada and a public Council member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. Mr. Grace has been active over the past 25 years in numerous community and professional activities.

E. John (Jack) Finn is the retired Chairman of Dorr-Oliver, Inc. a process engineering and equipment firm. An electrical engineering graduate of Carnegie Mellon University, Mr. Finn's business experience has focused on operations and general management. He held various

executive positions with The Carborundum Company, Kennecott Corporation and The Standard Oil Company. In addition to Stantec, Mr. Finn is currently a director of Vodium of Washington, DC and Delicious Milk Company of New York, NY.

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

Pre-Approval Policy

The Audit Committee must pre-approve the audit and non-audit 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 pre-approval, it will require specific pre-approval by the Audit Committee. Any proposed services exceeding pre-approved cost levels will require specific pre-approval by the Audit Committee.

External Auditor Service Fees

Aggregate fees paid to Ernst & Young LLP, Stantec's external auditor, during the fiscal years ended December 31, 2005 and 2004 were as follows:

Category	Note	2005	2004
Audit Fees	1	$ 754,000	$406,000
Audit-Related Fees	2	24,000	—
Tax Fees	3	898,000	448,000
Total		$1,676,000	$854,000

1 – Audit Fees – audit services provided by Ernst & Young LLP for the audit and review of Stantec's financial statements or services normally provided by Ernst & Young LLP in connection with statutory and regulatory filings or engagements.

2 – Audit-Related Fees – assurance and related services provided by Ernst & Young LLP that are reasonably related to the performance of the audit or review of the financial statements and are not reported under "Audit Fees" and include consultations concerning compliance with the United States' Sarbanes-Oxley Act (SOX) and other audit-related items.

3 – Tax Fees – professional services rendered by Ernst & Young LLP for tax compliance, tax advice and tax planning, including tax advice relating to potential business acquisitions.

DIRECTORS AND OFFICERS

The following tables list the directors and officers of Stantec, their municipality of residence, as well as their principal occupation within the five preceding years:

Directors of Stantec Inc.

Name and Municipality of Residence	Principal Occupation	Director since
ROBERT J. BRADSHAW[1] Toronto, ON Canada	Chairman, Contor Industries Limited (a holding company that acquires manufacturing companies)	1993
E. JOHN (JACK) FINN[2] Madison, CT USA	Corporate Director	1995
ANTHONY P. FRANCESCHINI Edmonton, AB Canada	President & CEO of Stantec	1994
WILLIAM D. GRACE[1, 2] Edmonton, AB Canada	Corporate Director	1994
SUSAN E. HARTMAN[1] Rochester, NY USA	President and CEO of The Hartman Group (a management consulting firm)	2004
ARAM H. KEITH Irvine, CA USA	Vice Chairman of the Board of Stantec	2005
ROBERT R. MESEL[2] Kiawah Island, SC USA	Corporate Director	2004
RONALD P. TRIFFO Edmonton, AB Canada	Chairman of the Board of Stantec	1985

1 member of Corporate Governance and Compensation Committee

2 member of Audit Committee

All directors are re-elected annually. With the exception of Aram H. Keith who, prior to September 15, 2005, was the Chief Executive Officer and Chairman of the Board of The Keith Companies, Inc., a position he held since 1983, each of the directors of Stantec has been engaged for more than five years in their present principal occupation or in other capacities with the company or organization (or a predecessor thereof) in which they currently hold their principal occupation.

Officers of Stantec Inc.

Name and Municipality of Residence	Principal Occupation
RONALD P. TRIFFO Edmonton, AB Canada	Chairman of the Board
ARAM H. KEITH Irvine, CA USA	Vice Chairman of the Board
ANTHONY P. FRANCESCHINI Edmonton, AB Canada	President & CEO

Name and Municipality of Residence	Principal Occupation
DONALD W. WILSON St. Albert, AB Canada	Vice President & CFO
JEFFREY S. LLOYD Edmonton, AB Canada	Vice President, Secretary & General Counsel
MICHAEL J. SLOCOMBE Edmonton, AB Canada	Associate General Counsel

All of the above officers have held their present position or other positions within Stantec for the past five years, except for Aram H. Keith, who was appointed Vice Chairman of the Board on November 3, 2005.

As at March 15, 2006, as a group the directors and officers of Stantec held, either directly or indirectly, or exercised control over 1,115,731 (4.99%) of the voting shares (Common Shares) of Stantec.

LEGAL PROCEEDINGS

1. Celanese Canada Inc. – Stantec is named as one of 12 defendants in an action issued on June 19, 2003 by Celanese Canada Inc. and Celanese Ltd. in the Ontario Superior Court of Justice. The following parties are named as defendants: Murray Demolition Corp.; Canadian Bearings Ltd.; Farrokh Khalili; Abra Projects Ltd.; Gerry Hamaliuk; Usher Canada, Limited; Caltech Design Inc.; Aphex Imaging Inc.; Hossein Banijamali; Canadian Petroleum Processing & Equipment Inc.; Stantec Consulting Ltd.; and Zayanderhood Petrochemical Company.

   Stantec was retained by one of the other defendants (Caltech Design Inc. based in Calgary) to provide detailed design engineering and project management services without construction phase services in relation to decommissioning of Celanese's Edmonton Vinyl Acetate Monomer Plant. Stantec has been named in Celanese's $110 million suit for alleged breach of proprietary information/technology and alleged breach of confidentiality agreements. Celanese claims that some or all of the defendants misappropriated, without permission, Celanese's property and proprietary information. Stantec's role was as a subconsultant to Caltech providing professional consulting services only. Stantec denies any wrongdoing. Stantec has agreed to an interim settlement with Celanese regarding disclosure of all materials in Stantec's possession relating to the project in question. It is Stantec's view that there is no merit to Celanese's claims as against Stantec. While Stantec contests the allegations made, no Statement of Defense has been required of Stantec to date. Stantec and Celanese are negotiating with a view to achieving a discontinuance of the action against Stantec without costs.

2. Valerie Parris – Sear-Brown, a company acquired by Stantec in April 2004, provided design services for a roadway in New York State. A multi-vehicle accident occurred on the roadway on November 28, 2001. Ms. Parris advanced a civil claim in New York State on or about December 1, 2003 alleging, among other things, negligence in the design and construction of the roadway. Ms. Parris alleges that as a result of the accident, Alonzo Raynard Parris sustained fatal injuries and his son, Raynard Parris, sustained injury and mental distress. Sear-Brown is one of a number of defendants in the legal proceeding. Damages sought total $43 million. Sear-Brown's insurer has responded to the claim. The allegations against

Sear-Brown have been denied and are being contested. One Sear-Brown entity has been dismissed from the lawsuit on Summary Judgment. The court has not yet ruled on the pending Summary Judgment application of the remaining Sear-Brown defendant.

In addition to the claims noted above, Stantec has other claims and suits pending, both by and against Stantec. These are normal and typical to the industries in which Stantec operates. Where appropriate, these claims have been reported to Stantec's and its predecessors' insurers who are in the process of adjusting and/or defending them. None are expected to have a material effect on the financial position of Stantec. While the two claims summarized above are not expected to have a material effect on the financial position of Stantec, they are included herein because the amount involved exceeds 10% of the current assets of Stantec.

TRANSFER AGENT

Effective July 22, 2005, Computershare Trust Company of Canada became the transfer agent for Stantec at Computershare's offices in Calgary, Alberta; Toronto, Ontario; New York, New York; and Denver, Colorado. Prior to that time, CIBC Mellon Trust Company acted as transfer agent for Stantec at CIBC Mellon's offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

Stantec did not enter into any material contracts outside of the ordinary course of business in 2005. Stantec considers the acquisition of professional services firms to be in the ordinary course of its business.

INTERESTS OF EXPERTS

Stantec's auditors are Ernst & Young LLP, 1800 Scotia 2, Scotia Place, 10060 Jasper Avenue, Edmonton, Alberta, T5J 3R8. Stantec's consolidated financial statements as at December 31, 2005 and for the year then ended have been filed under National Instrument 51-102 in reliance on the report of Ernst & Young LLP, independent Chartered Accountants, given their authority as experts in auditing and accounting. As at March 30, 2006, the designated professionals of Ernst & Young LLP did not own any Stantec Common Shares.

ADDITIONAL INFORMATION

Financial information is provided in Stantec's consolidated financial statements and management's discussion and analysis for its most recently completed financial year. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Stantec's securities and securities authorized for issuance under equity compensation plans is contained in Stantec's Management Information Circular, dated March 15, 2006. Copies of this Annual Information Form, as well as Stantec's latest Management Information Circular and Annual Report (which includes Stantec's consolidated financial statements and Management's Discussion and Analysis) for the year ended December 31, 2005, may be obtained from Stantec's website at

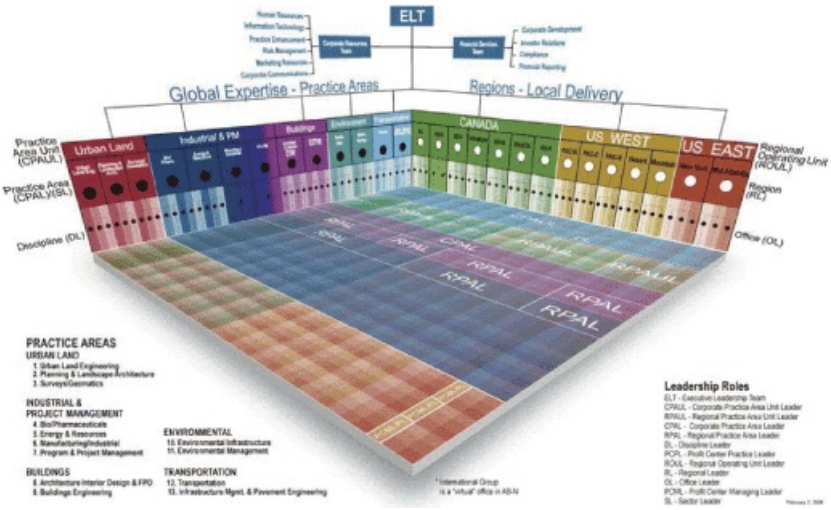
www.stantec.com or by mail upon request from the secretary, 10160 – 112 Street, Edmonton, Alberta, T5K 2L6. You may also access disclosure documents and any reports, statements or other information that Stantec files with the Canadian provincial securities commissions or other similar regulatory authorities through the Internet on SEDAR, and which may be accessed at www.sedar.com.

Edmonton, Alberta
March 30, 2006



JEFFREY S. LLOYD
Secretary

APPENDIX I


ELT
Global Expertise - Practice Areas
Regions - Local Delivery
Urban Land
Industrial & PM
Buildings
CANADA
US WEST
US EAST
Practice Area Unit (CPAUL)
Practice Area (CPAL)(SL)
Discipline (DL)
Regional Operating Unit (ROUL)
Region (RL)
Office (OL)
RPAL
PRACTICE AREAS
URBAN LAND
1. Urban Land Engineering
2. Planning & Landscape Architecture
3. Surveys/Geomatics
INDUSTRIAL & PROJECT MANAGEMENT
4. Bio/Pharmaceuticals
5. Energy & Resources
6. Manufacturing/Industrial
7. Program & Project Management
BUILDINGS
8. Architecture Interior Design & FPD
9. Buildings Engineering
ENVIRONMENTAL
10. Environmental Infrastructure
11. Environmental Management
TRANSPORTATION
12. Transportation
13. Infrastructure Mgmt. & Pavement Engineering
Leadership Roles
ELT - Executive Leadership Team
CPAUL - Corporate Practice Area Unit Leader
RPAUL - Regional Practice Area Unit Leader
CPAL - Corporate Practice Area Leader
RPAL - Regional Practice Area Leader
DL - Discipline Leader
PCPL - Profit Center Practice Leader
ROUL - Regional Operating Unit Leader
RL - Regional Leader
OL - Office Leader
PCRL - Profit Center Managing Leader
SL - Sector Leader

APPENDIX II

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



Stantec

A. OVERVIEW AND PURPOSE

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

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

B. AUTHORITY AND RESPONSIBILITIES

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

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

Provide reports and minutes of meetings to the Board.

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

APPENDIX II

C. MEMBERSHIP

The members of the Committee shall be composed of three independent directors, appointed by the Board, all of whom must be financially literate and at least one member shall have accounting or related financial management expertise and be an audit committee financial expert as defined in Item 401(h) of SEC Regulation S-K. 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 attached hereto as Appendix A.

The Chair of the Committee shall be designated by the Board.

Attendance by invitation at all or a portion of Committee meetings is determined by the Committee Chair or its members, and would normally include the CFO of the Corporation, representatives of the external auditor, the internal auditor, and such other officers or support staff as may be deemed appropriate.

D. FINANCIAL STATEMENTS AND DISCLOSURES

1. Review, and recommend to the Board for approval, the annual audited financial statements.
2. Review, and recommend to the Board for approval, the following public disclosure documents:
   (a) the financial content of the annual report;
   (b) the annual management information circular and proxy materials;
   (c) the annual information form, including any regulatory requirements for audit committee reporting obligations;
   (d) the management discussion and analysis section of the annual report; and
   (e) the year-end news release on the earnings of the Corporation.
3. Review and, if appropriate, to authorize the release of the quarterly unaudited financial statements including management's discussion and analysis, the quarterly interim report to shareholders and the quarterly press release on earnings of the Corporation. However, in the event that there is a significant or extraordinary matter that, in the opinion of the Committee, should be reviewed by the Board before the release of such information, then the matter shall be referred to the Board for review.
4. Review with management the procedures that exist for the review of financial information extracted or derived from financial statements which is publicly disclosed by the Corporation other than in the documents listed in section 3. above and periodically, at least annually, assess the adequacy of those procedures.

5. Review, and recommend to the Board for approval, all annual financial statements, reports of a financial nature, (other than quarterly unaudited financial statements), and the financial content of prospectuses or any other reports which require approval by the Board prior to submission thereof to any regulatory authority.
6. Review the audit committee information required as part of the annual information form.
7. Review the CEO and CFO certification of annual and interim disclosure as required by the regulatory authorities.
8. Review with management on an annual basis, the Corporation's obligations pursuant to guarantees that have been issued and material obligations that have been entered into, and the manner in which these guarantees and obligations have been, or should be, disclosed in the financial statements.
9. Review and assess, in conjunction with management and the external auditor, at least annually or on a quarterly basis where appropriate or required:
   (a) the appropriateness of accounting policies and financial reporting practices used by the Corporation, including alternative treatments that are available for consideration;
   (b) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation;
   (c) any new or pending developments in accounting and reporting standards that may affect or impact on the Corporation;
   (d) the impact of the Corporation's capital structure on current and future profitability, and any off-balance sheet structures; and
   (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.

APPENDIX II

E. EXTERNAL AUDITOR

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

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

    (a) staffing;

    (b) objectives and scope of the external audit work;

    (c) materiality limits;

    (d) audit reports required;

    (e) areas of audit risk;

    (f) timetable; and,

    (g) the proposed fees.

14. Obtain and review a report from the external auditor at least annually regarding the auditor's independence and the profession's or audit firm requirements regarding audit partner rotation. Consider the need to rotate the audit firm, and report to the Board on this analysis.

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

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

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

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

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

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

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

    (b) any significant accounting or financial reporting issues;

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

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

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

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

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

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

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

F. <u>INTERNAL AUDIT</u>

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

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

26. Review and approve the annual audit plan of the internal auditor (where applicable), and ensure there is a clear understanding between the Board, the Committee, the internal auditor and management that the internal auditor reports directly to the Board through the Committee. Receive confirmation from management that the Corporation has provided for adequate funding for the internal auditor. The terms of the audit plan should include, but not be limited to, the following:
    (a) staffing;
    (b) objectives and scope of the internal audit work;
    (c) materiality limits;
    (d) audit reports required;
    (e) areas of audit risk;
    (f) timetable; and,
    (g) the proposed budget.
27. Review with the internal auditor the results of their audit examination including, but not be limited to, the following:
    (a) any difficulties encountered, or restrictions imposed by management, during the audit;
    (b) any significant accounting or financial reporting issues;
    (c) the auditor's evaluation of the Corporation's system of internal accounting controls, procedures and documentation;
    (d) the internal audit reports or other material written communications containing any findings or recommendations of the internal auditor including management's response thereto and the subsequent follow-up to any identified internal accounting control weaknesses; and
    (e) any other matters which the internal auditor should bring to the attention of the Committee.
28. 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

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

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

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

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

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

H. COMPLIANCE/RISK/FRAUD

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

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

36. Discuss with management the Corporation's procedures to deal with whistle blower complaints, including the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

37. 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.

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

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

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.

APPENDIX II

I. OTHER

41. Review, as required, any claims of indemnification pursuant to the by-laws of the Corporation.
42. Receive a quarterly report from the CFO regarding private aircraft use including itinerary and passenger manifest.
43. In accordance with the Corporation's Whistle Blower Policy — Complaint Resolution Process, review and determine the disposition of any complaints or correspondence received under the policy.
44. Review and determine the disposition of any complaints received from shareholders or any regulatory body.
45. Conduct an annual assessment of the effectiveness of the Committee and provide a report thereon to the Board.
46. Receive comments from the external auditor on their assessment of the effectiveness of the Committee's oversight of internal control over financial reporting.
47. Review annually the terms of reference for the Committee and recommend any required changes to the Board.

J. MEETINGS

48. Regular meetings of the Committee are held at least four times each year.
49. Meetings may be called by the Committee Chair or by a majority of the Committee members, and usually in consultation with management of the Corporation.
50. Meetings are chaired by the Committee Chair or, in the Chair's absence, by a member chosen by the Committee from among themselves.
51. A quorum for the transaction of business at any meeting of the Committee is a majority of the appointed members.
52. 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.
53. Meetings may be conducted with members present, or by telephone or other communications facilities which permit all persons participating in the meeting to hear or communicate with each other.
54. 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.

APPENDIX II

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

56. 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.

APPENDIX II

Appendix A — Independence

National Policy 58-201 provides that a director is independent if he or she would be independent for the purposes of National Instrument 58-101 *Disclosure of Corporate Governance Practices.* In turn, 58-101 provides that a director is independent if he or she would be independent within the meaning of section 1.4 of Multilateral Instrument 52-110 *Audit Committees*. MI 52-110 was amended with effect from June 30, 2005 and the particular provision regarding independence of audit committee members is set out below. There are other provisions regarding controlled companies, U.S. listed issuers, etc. and reference should be made to the applicable instruments if required.

Section 1.4 Meaning of Independence

(1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.

(2) For the purposes of subsection (1), a material relationship is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement.

(3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:

(a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;

(b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;

(c) an individual who:

(i) is a partner of a firm that is the issuer's internal or external auditor,

(ii) is an employee of that firm, or

(iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

(i) is a partner of a firm that is the issuer's internal or external auditor,

(ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

(iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and

(f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than $75,000 in direct compensation from the issuer during any 12 month period within the last three years.

(4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because

(a) he or she had a relationship identified in Subsection (3) if that relationship ended before March 30, 2004; or

(b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.

(5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

(6) For the purposes of clause (3)(f), direct compensation does not include:

(a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and

(b) the receipt of fixed amounts of compensation Under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

(7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member

(a) has previously acted as an interim chief executive officer of the issuer, or

(b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.

(8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

Section 1.5 Additional Independence Requirements

(1) Despite any determination made under section 1.4, an individual who

(a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or

(b) is an affiliated entity of the issuer or any of its subsidiary entities,

is considered to have a material relationship with the issuer.

(2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by

(a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or

(b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

(3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

APPENDIX II

STANTEC INC.
Audit Committee - Annual Workplan
(Revised - January 23, 2006)
(See terms of reference for details of each item)

Terms of Reference Section D-I		Meeting #1 After Year End Completion	Meeting #2 After End of 1st Quarter	Meeting #3 After End of 2nd Quarter	Meeting #4 After End of 3rd Quarter
1	Review annual audited financial statements	X			
2(a)	Review financial content of annual report	X			
2(b)	Review management information circular and proxy materials	X			
2(c)	Review annual information form including committee reporting obligations	X			
2(d)	Review MD&A section of annual report	X			X
2(e)	Review year-end news release on the earnings of the Corporation	X			
3	Review quarterly financial statements, MD&A, report to shareholders & news release		X	X	X
4	Review procedures for information extracted/derived from financial statements			X	
5	Review financial content of prospectuses & regulatory reports		As Required		
6	Review audit committee information required as part of the annual information form				X
7	Review CEO & CFO certifications, as & when required	X	X	X	X
8	Review guarantees & material obligations	X			
9(a)	Review/assess accounting policies & financial reporting	X			
9(b)	Review/assess significant financial reporting issues	X			
9(c)	Review/assess developments in accounting/reporting standards	X			
9(d)	Review/assess capital structure and any off-balance sheet structures	X			
9(e)	Review/assess key management estimates & judgments	X			
10	External auditor discussion on quality of financial reporting	X			
11	Review legal claims/litigation/tax assessments	X			X
12	Assess auditor's performance / consider annual appointment	X			
13	Review & approve auditor's annual engagement letter, audit plan & fee			X	
14	Review independence report from auditor, audit partner rotation & audit firm rotation	X			
15	Approve auditor engagement for non-audit services & fees		As Required		
16	Review audit fees / recommend to Board	X			
17	Review auditors certification re CPAB & PCAOB			X	
18	Review a report from the external auditors describing (a) the firm's internal quality control procedures and internal quality control review or peer review of the firm	X			

APPENDIX II

Terms of Reference Section D-I		Meeting #1 After Year End Completion	Meeting #2 After End of 1st Quarter	Meeting #3 After End of 2nd Quarter	Meeting #4 After End of 3rd Quarter
19	Resolve any disagreements between management & auditors		As Required		
20	Review with external auditor the results of annual audit: (see terms of reference)	X			
21	Private meeting with external auditors	X	X	X	X
22	Review issues related to change of auditor		As Required		
23	Review/approve hiring policy re staff of external auditors		As Required		
24	Review the appointment or termination of the Internal Auditor		As Required		
25	Review and approve the internal audit mandate periodically (at least every 3 years)		As Required		
26	Review & approve the annual internal audit plan of the internal auditor				X
27	Review with internal auditor the results of audit examinations (see terms of reference)	X	X	X	X
28	Private meeting with internal auditors	X	X	X	X
29	Assurance re accounting systems & internal controls	X			
30	Review management's annual report on the effectiveness of internal controls and procedures, as well as quarterly and annual CEO and CFO certificates filed pursuant to securities regulations.	X	X	X	X
31	Receive reports from management on all significant deficiencies and material weaknesses identified by management		As Required		
32	Review controls & approvals re officers expenses		X		
33	Review expense accounts of Board Chair and CEO	X	X	X	X
34	Review/assess significant business risks & uncertainties				X
35	Discuss policies & procedures re fraud				X
36	Discuss procedures re whistleblower complaints				X
37	Discuss policies pertaining to an effective compliance & ethics program, including code of ethics				X
38	Discuss legal matters that may impact the financial statements or compliance program	X	X	X	X
39	Review adequacy of insurance program				X
40	Receive acquisition risk assessment report		As Required		
41	Review any indemnification claims		As Required		
42	Receive a quarterly report from the CFO regarding the private aircraft use	X	X	X	X
43	Review any complaints emanating from the whistleblower policy		As Required		
44	Review complaints from shareholders or any regulatory body		As Required		

APPENDIX II

Terms of Reference Section D-I		Meeting #1 After Year End Completion	Meeting #2 After End of 1st Quarter	Meeting #3 After End of 2nd Quarter	Meeting #4 After End of 3rd Quarter
45	Conduct assessment of Committee's effectiveness		X		
46	External auditor comments re Committee oversight on financial reporting controls		X		
47	Review terms of reference		X		

Exhibit 3

STANTEC INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

and

CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2005, and 2004

STANTEC INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Stantec's operations and financial position, dated February 10, 2006, should be read in conjunction with the Company's 2005 audited consolidated financial statements and related notes. Our 2005 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 20 of the audited consolidated financial statements summarizes the principal differences between Canadian 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 the Annual Information Form, is available on SEDAR at www.sedar.com. Such additional information is not incorporated by reference and should not be deemed to be made part of this Management's Discussion and Analysis.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Stantec's 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 included in this report and may be included 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 2006 and beyond, our strategies or future actions, our targets, our expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian and US economies.

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 and other forward-looking statements will not prove to be accurate. We caution readers of this report to not 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.

Factors listed in the Risk Factors section below could cause Stantec's actual results to differ materially from those projected in our forward-looking statements. Investors and the public should carefully consider these factors, other uncertainties, and potential events as well as the inherent uncertainty of forward-looking statements when relying on these statements to make decisions with respect to Stantec. 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. The Risk Factors section details the risks, among others, that could cause Stantec's actual results to differ materially from those projected in our forward-looking statements.

VISION, CORE BUSINESS, AND STRATEGY

Our Company provides professional consulting services in planning, engineering, architecture, interior design, landscape architecture, surveying and geomatics, environmental sciences, project management, and project economics for infrastructure and facilities projects. Through multidiscipline service delivery, we support clients throughout the project life cycle—from the initial conceptual planning to project completion and beyond.

Our goal is to become a top 10 global design and consulting services firm with $1 billion in annual revenue by the year 2008 while providing quality services that have a positive impact on our world. To achieve this objective, we will continue to deliver fee-for-service professional services in the infrastructure and facilities market and to pursue a prudent growth plan. We are confident that we can reach our goal because of the large size of the infrastructure and facilities market and because of the dedication of our employees, who give us our competitive advantage: the ability to execute a sustainable business strategy.

Our business strategy is based on managing risk by a) diversifying our operations through a focused, three-dimensional business model, b) servicing many clients on many projects, c) taking on little or no construction risk, d) and positioning ourselves among the top three service providers in our geographic regions and practice areas. Through our “One Team. Infinite Solutions.” approach to our business, we are able to undertake infrastructure and facilities projects of any size for both public and private sector clients. Currently, the majority of assignments we pursue are small to midsize projects with a capital value of less than $100 million offering potential project fees for Stantec of less than $10 million. These types of projects represent the largest share of the infrastructure and facilities market. 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.

Our focused, three-dimensional business model allows us to manage risk while continuing to increase our revenue and earnings. It is based on diversifying our operations across distinct geographic regions, specializing in distinct but complementary practice areas, and providing services in all five phases of the infrastructure and facilities project life cycle (planning, design, construction, maintenance, and decommissioning). Although we employ this three-dimensional matrix model, to meet GAAP requirements in Canada and the United States, we have one reportable segment—Consulting Services. We consider the basis on which we are organized, including geographic areas and service offerings, in identifying our reportable segments. Operating segments of the Company are defined as components of the Company for which separate financial information is available that is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. Our chief operating decision maker is our Chief Executive Officer (CEO), and our operating segments are based on our regional geographic areas. We have established practice areas as a technical rather than financial structure to provide strategic direction, mentoring, and technical support across all of our geographic regions.

The following explains the three main components of our business model.

Geographic Diversification

Currently, we operate in three economic regions in Canada and the United States and have a project presence in the Caribbean and other selected international locations. Our strategy for increasing our geographic reach is made up of two components. The first component is to grow our existing regional operations by expanding our services particularly in areas where we have not yet reached a mature market

presence. We target to achieve a market penetration of $10 million in revenue per 1 million people in these regions. Secondly, our strategy is to expand outside our existing regions principally in the United States and Canada. We plan to continue to grow geographically primarily by acquiring firms that meet our integration criteria and to a lesser extent by expanding organically.

Practice Area Specialization

Our business model is also based on specializing in distinct but complementary project services. Currently, we provide services in five practice areas—Buildings, Environment, Industrial & Project Management, Transportation, and Urban Land.

Buildings. We provide comprehensive solutions for the development of commercial, industrial, and institutional facilities through two specialist practice areas: Architecture, Interior Design & Facilities Planning & Operations and Buildings Engineering. Our core services in these areas include project/program management, facilities management, strategic planning, architectural design, interior design, and structural, mechanical, and electrical engineering for both new construction and existing buildings and facilities. For existing buildings, we offer expertise in building operating systems (including analysis of a building's exterior envelope and evaluation of air quality, lighting, and energy efficiency), performance engineering, and ongoing tenant improvements.

Environment. We provide solutions for sustaining air, water, and soil quality as well as the health of natural ecosystems through two specialist practice areas: Environmental Infrastructure and Environmental Management. Our core services in these areas include water supply, distribution, pumping, storage, and treatment; wastewater collection, pumping, management, and treatment; odor and corrosion control; water resources management; water reclamation and reuse; environmental site management; environmental assessment; heritage and natural resource assessment; risk assessment; health and safety assessment; air quality assessment; infiltration and inflow design/combined and sanitary sewer overflow technology; ecotoxicology and good laboratory practice testing; and microbiological testing.

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

Transportation. We offer transportation solutions for the safe and efficient movement of people, vehicles, aircraft, and goods through two specialist practice areas: Transportation and Infrastructure Management & Pavement Engineering. Our core services include project management, planning, and engineering. We prepare transportation master plans for communities and airports; conduct transportation investment studies; and design new and upgraded airport facilities, transit facilities, bridges, urban roadways, freeways, interchanges, rural highways, and rail systems. In addition, we offer expertise in simulation modeling, a comprehensive understanding of transportation demand and supply management principles, extensive use of a range of life cycle cost and statistical analysis techniques, and skills in public consultation and environmental assessment for developing infrastructure facility plans with broad public

support. A key feature of our transportation services is our expertise in designing, developing, and implementing integrated infrastructure/asset management systems and work management applications for pavement, bridges, right-of-way features, water, wastewater, stormwater, utilities, and other assets.

Urban Land. We provide planning, engineering, surveying, project management, and landscape architecture solutions principally for the land development and real estate industries through three specialist practice areas: Planning & Landscape Architecture, Urban Land Engineering, and Surveys/Geomatics. Our core services include or relate to the development of conceptual plans, zoning approval of design infrastructure, transportation planning, traffic engineering, landscape architecture, urban planning, design construction review, and surveying.

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.

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 stage, 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.

KEY PERFORMANCE DRIVERS AND CAPABILITIES

At Stantec our performance depends on our ability to attract and retain qualified people; make the most of market opportunities; finance our growth; find, acquire, and integrate firms and/or new employees into our operations; and achieve top-three market penetration in the geographic areas we serve. Based on our success with these drivers, we believe that we are well positioned to continue to be a major provider of professional design and consulting services in our principal geographic regions.

People

Because we are a professional services firm, the most important driver of our performance is our people. Our employees create the project solutions we deliver to clients. Consequently, to achieve our goal of becoming a top 10 global design firm, we must grow our workforce through a combination of internal hiring and acquisitions. We measure our success in this area by total staff numbers. In 2005 our employee numbers increased to approximately 5,500 from 4,350 in 2004. Currently, our workforce is made up of

about 2,700 professionals, 2,000 technical staff, and 800 support personnel. We expect our employee numbers to continue to increase in 2006 and beyond as we pursue our growth plan.

To attract and retain qualified staff, we offer opportunities to be part of a multidiscipline team working on challenging projects with some of the best people in our industry. We are continually strengthening our people-oriented culture, and in 2005 we completed a number of activities, including the implementation of an individual career development and performance review process as well as the design and implementation of a Company-wide benefits program that is responsive to both the external environment and our internal staff needs. During the year, we also introduced additional staff training programs and launched our Learning Resource Center, the on-line source for scheduling, registration in, and access to our learning programs and material. And we introduced courses related to people skills and leadership, risk management, and business development for our leaders. Going forward, we will continue to develop course curricula in response to the needs of our staff.

Our “diversified portfolio” approach to business—operating in different regions and practice areas—generally enables us to redeploy a portion of our workforce when faced with changes in local, regional, or national economies or practice area demand. Currently, we see no overall shortage of qualified staff for our operations. 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 more able to address these issues by mobilizing staff from other parts of the Company either through temporary relocation or changes in work allocation. We are continually improving our ability to work on projects from multiple locations through Web-based technology.

Market Opportunities/Acquisition and Integration

Another key driver of our success is our ability to make the most of opportunities to grow in our marketplace. We believe that growth is necessary in order to enhance the depth and breadth of our expertise, broaden our services, increase our shareholder value, provide more opportunities for our employees, and lever our information technology systems. Our strategy is to combine internal growth with the acquisition of firms that believe in our vision and want to be part of our dynamic Company. Since we became publicly traded on the Toronto Stock Exchange (TSX) in 1994, we have integrated a total of approximately 4,000 employees into the Stantec family from throughout Canada, the United States, and the Caribbean. In 2005 we completed three acquisitions, one in the United States, which established a new geographic region in southern California, and two in western Canada. In total, these acquisitions added approximately 1,160 employees to our operations. 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 and is estimated to generate over US$60 billion in revenue in North America every year, of which we currently have approximately a 1% market share. (According to the *Engineering News Record*, the largest 500 engineering and architecture companies in the United States alone generated nearly US$60 billion in fees in 2004.)

The integration of acquired firms begins immediately following the acquisition closing date and may take between six months and three years. It involves incorporation into our Company-wide information technology and financial management systems as well as provision of “back office” support services from our corporate office. This approach allows our new staff to focus on continuing to serve clients with minimal interruption of their daily activities.

Our acquisition program is managed by an acquisition team that is dedicated to supporting our growth objectives. The team is responsible for identifying and valuing acquisition candidates, undertaking and coordinating due diligence, negotiating and closing transactions, and assisting with the integration of employees and systems.

Financing

Our success also depends on our continuing ability to finance our growth plan. Adequate financing gives us the flexibility to acquire firms that are appropriate to our vision and complement our business model. Since we became publicly traded on the TSX in 1994, we have grown at a compound annual rate of 19.3%. 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. The issuance of additional shares in 2005 was related to the acquisition of The Keith Companies, Inc. In 2005 we replaced our existing credit facility with a three-year revolving credit facility that provides us with a line of credit of $160 million. Such financing will help us continue to pursue our growth plan.

Market Penetration

Also key to our success is achieving a certain level of market penetration in the geographic areas we serve. Our goal is to be among the top three service providers in each of our geographic regions and practice areas. With this level of market presence, we are less likely to be affected by downturns in regional economies. Top-three positioning also gives us increased opportunities to work for the best clients, obtain the best projects, and attract 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 infrastructure.

RESULTS

Overall Performance

Highlights for 2005

By executing our business strategy in 2005, we generated strong results for the fiscal year as well as incremental growth compared to 2004 in gross revenue, net income, and earnings per share as follows:

	2005	2004	$ Change	% Change
	(In millions of Canadian dollars, except per share amounts)			
Gross revenue	618.0	520.9	97.1	18.6%
Net income	40.6	30.2	10.4	34.6%
Earnings per share — basic	2.04	1.63	0.41	25.2%
Earnings per share — diluted	1.98	1.59	0.39	24.5%
Cash flows from operating activities	57.3	77.4	(20.1)	n/a
Cash flows used in investing activities	(114.6)	(10.2)	(104.4)	n/a
Cash flows from (used in) financing activities	47.9	(36.0)	83.9	n/a

In our 2004 Management's Discussion and Analysis, we established various ranges of expected performance. Below are the successful results we achieved in 2005 as we met or exceeded all of our established targets:

Measure	Expected Range	Result Achieved	
Debt to equity ratio *[note 1]*	At or below 0.5 to 1	0.17	*
Return on equity *[note 2]*	At or above 14%	16.0%	*
Net income as % of net revenue	At or above 5%	7.7%	*
Gross margin as % of net revenue	Between 53 and 55%	55.3%	ü
Administrative and marketing expenses as % of net revenue	Between 40 and 42%	40.5%	*
Effective income tax rate	Between 33 and 35%	35.0%	*

note 1: Debt to equity ratio is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, minus cash divided by (2) shareholders' equity.

note 2: Return on equity is calculated as net income for the year divided by average shareholders' equity over each of the last four quarters.

ü Exceeded target

** Met target*

x Did not meet target

The following highlights the major strategic activities that occurred in 2005 as well as other factors that contributed to our successful financial performance and our strong overall financial condition:

- **Growth by acquisition.** In 2005 the acquisition and integration of CPV Group Architects & Engineers Ltd. (CPV), The Keith Companies, Inc. (Keith), and Keen Engineering Co. Ltd. (Keen) contributed to our growth by adding 1,160 employees and increasing the depth and breadth of our services in both Canada and the United States. Our cash used in investing activities increased in 2005 due to the consideration paid for these three acquisitions. The integration of these businesses in 2006 will further strengthen our existing complement of professional staff and client base.
- **Internal growth.** In addition to acquisition activities, internal growth contributed to the above increase in gross revenue and net income. Of the $97.1 million increase in gross revenue during 2005, $22.8 million was attributable to organic internal growth.
- **New York Stock Exchange listing.** During the third quarter, we began trading our common shares on the New York Stock Exchange (NYSE) under the symbol SXC in addition to trading through our existing TSX listing of STN. We believe our new listing gives us exposure to a larger capital base and the opportunity to increase our revenue by strengthening our brand recognition in the United States and enhances our ability to attract acquisition opportunities.
- **Credit facility.** During the third quarter of 2005, we replaced our existing credit facility with a $160 million, three-year revolving credit facility to be available for future acquisitions, working capital needs, capital expenditures, and general corporate purposes. During the third quarter, we borrowed $95.9 million under the credit facility to complete the Keith acquisition and repaid $16.9 million in the fourth quarter, leaving $81.0 million available at December 31, 2005, for future activities.
- **Flat rate disbursements.** During 2005, we implemented a flat rate disbursement practice as a means of simplifying the recovery of administrative disbursements related to billable projects. The impact of this change contributed 1.2% to our 55.3% gross margin, which exceeded our expected range of performance for 2005 and surpassed our 2004 gross margin of 54.2%.

- **Tax initiatives.** Through the continual upgrading of our enterprise management system in 2005, we were able to improve the identification of billable projects that meet the criteria for Scientific Research and Experimental Development (SR&ED) tax credits in Canada. These SR&ED credits reduced our income taxes payable as well as our administrative and marketing expenditures by $1.2 million in 2005. In addition, 2005 saw the introduction of the American Jobs Creation Act, which provides a tax deduction for income from qualified production activity in the United States, to be phased in from 2005 to 2010. We have identified a portion of our activities in the United States that meet the definition of qualified activities for this deduction.

Acquisitions

We completed three acquisitions in 2005 for total consideration of $228.7 million and four acquisitions in 2004 for total consideration of $20.3 million. In August 2005 we acquired CPV, which added over 60 people to Stantec Architecture Ltd.'s Alberta and British Columbia offices, enhancing its position as the largest and most geographically diverse architecture and interior design firm in Canada. In September 2005 the acquisition of Keith added over 850 people to supplement our strength in our Urban Land practice area and increase the depth and breadth of our multidiscipline engineering and consulting services in the western and midwestern United States. The Keith acquisition was the largest acquisition in the history of our Company. In October 2005 the acquisition of Keen added over 250 people to our building design services in Canada and the western United States, which was an important step in the evolution of our sustainable design capabilities. As a result of our investment in our enterprise management system in 2003 and subsequent enhancements, we were able to quickly integrate Keith's and Keen's financial and management data in the fourth quarter of 2005.

Selected Annual Information

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

	Selected Annual Information		
	2005	2004	2003
		(In millions of Canadian dollars, except per share amounts)	
Gross revenue *[note]*	618.0	520.9	459.9
Net income	40.6	30.2	25.1
Earnings per share — basic	2.04	1.63	1.37
Earnings per share — diluted	1.98	1.59	1.31
Cash dividends declared per common share	nil	nil	nil
Total assets	628.8	362.1	326.6
Total long-term debt	86.7	34.0	44.6
Outstanding common shares — as at December 31	22,313,131	18,871,085	18,327,284
Outstanding common shares — as at February 10, 2006	22,509,948		
Outstanding share options — as at December 31	938,264	1,071,333	1,479,100
Outstanding share options — as at February 10, 2006	749,611		

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

The three acquisitions completed in 2005, the four completed in 2004, and the three completed in 2003 contributed to our year-over-year growth in gross revenue and net income. The $266.7 million increase in total assets from 2004 to 2005 was mainly due to the acquisition of $162.1 million in goodwill and of $24.0 million in intangible assets in the three acquisitions completed in 2005. The intangible assets consisted primarily of acquired client relationships ($18.4 million) and contract backlog ($5.0 million), which will be amortized as a charge to net income at various rates over one to 15 years. During the third quarter of 2005, we conducted our annual goodwill impairment review. An independent third party was contracted to perform a valuation of the goodwill of our operations in the US Southeast. The review concluded that there was no impairment of goodwill. Other increases in assets in 2005 can be attributed to internal growth and growth through acquisitions.

Our total liabilities increased $107.7 million from 2004 to 2005 mainly due to a $55.0 million increase year over year in bank debt. Accounts payable and future income tax liabilities also contributed to the year-over-year increase in total liabilities. These grew as a result of our growth internally as well as our growth through acquisitions.

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 *	
	2005	2004	2003	2005 vs. 2004	2004 vs. 2003
Gross revenue	117.8%	116.0%	117.5%	18.6%	13.2%
Net revenue	100.0%	100.0%	100.0%	16.8%	14.8%
Direct payroll costs	44.7%	45.8%	46.9%	14.1%	12.0%
Gross margin	55.3%	54.2%	53.1%	19.0%	17.2%
Administrative and marketing expenses	40.5%	40.9%	39.5%	15.7%	18.7%
Depreciation of property and equipment	2.4%	2.7%	2.5%	3.4%	20.9%
Amortization of intangible assets	0.5%	0.2%	0.2%	174.2%	0.2%
Net interest expense	0.1%	0.6%	0.7%	(79.6%)	6.4%
Share of income from associated companies	0.0%	(0.1%)	(0.1%)	(51.4%)	(33.6%)
Foreign exchange (gains) losses	(0.1%)	0.0%	0.2%	—	(115.3%)
Income before income taxes	11.9%	9.9%	10.1%	39.9%	12.7%
Income taxes	4.2%	3.2%	3.7%	51.2%	(0.6%)
Net income	7.7%	6.7%	6.4%	34.6%	20.4%

* *% Increase calculated based on the dollar change from the comparable period.*

Our gross and net revenue grew at a faster rate during 2005 than during 2004 mainly due to the size of acquisitions that occurred in the latter half of 2005. At the same time, administrative and marketing expenses grew at a lower rate than the rate of growth in revenue. As well, the amortization of intangible assets increased in 2005 versus 2004 due to factors further explained in the Amortization of Intangible Assets section below.

Gross and Net Revenue

The following table summarizes the impact of acquisitions, internal growth, and foreign exchange on our gross and net revenue for 2005 compared to 2004 and for 2004 compared to 2003. For a definition of gross and net revenue, refer to Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this Management's Discussion and Analysis.

Gross Revenue	**2005 vs. 2004**	**2004 vs. 2003**
	(In millions of Canadian dollars)	
Increase (decrease) due to:		
Acquisitions completed in current and prior two years	88.1	42.3
Net internal growth	22.8	30.0
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(13.8)	(11.3)
Total increase over prior year	97.1	61.0

Net Revenue	**2005 vs. 2004**	**2004 vs. 2003**
	(In millions of Canadian dollars)	
Increase (decrease) due to:		
Acquisitions completed in current and prior two years	65.2	36.4
Net internal growth	22.1	31.3
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(11.9)	(9.9)
Total increase over prior year	75.4	57.8

Gross revenue earned in Canada during 2005 increased to $380.5 million from $325.8 million in 2004 and $290.4 million in 2003. Gross revenue generated in the United States in 2005 increased to $233.4 million compared to $190.4 million in 2004 and $161.7 million in 2003. Gross revenue earned outside Canada and the United States in 2005 was $4.1 million, compared to $4.7 million in 2003 and $7.9 million in 2002. The increase in revenues in both our US- and Canadian-based operations was positively impacted by the acquisitions completed in 2005 and 2004.

The following table summarizes our gross revenue by practice area for 2005, 2004, and 2003:

Practice Area Gross Revenue	2005	% of Consulting Services Gross Revenue	% Change 2005 vs. 2004	2004	% of Consulting Services Gross Revenue	% Change 2004 vs. 2003	2003	% of Consulting Services Gross Revenue
	(millions of C$)			*(millions of C$)*			*(millions of C$)*	
Environment	104.5	16.9%	(0.9%)	105.5	20.3%	14.9%	91.8	20.1%
Buildings	159.2	25.8%	48.1%	107.5	20.7%	19.5%	89.9	19.7%
Transportation	92.1	14.9%	(0.5%)	92.6	17.8%	15.0%	80.5	17.7%
Urban Land	208.9	33.8%	23.7%	168.9	32.5%	5.6%	159.9	35.1%
Industrial & Project Management	53.3	8.6%	17.4%	45.4	8.7%	36.2%	33.3	7.4%
Total Consulting Services	618.0	100.0%	18.9%	519.9	100.0%	14.1%	455.4	100.0%

As indicated above, our gross revenue was impacted by the acquisitions we completed in the current and prior two years, net internal growth, and the effect of foreign exchange rates on revenue earned by our foreign subsidiaries. The impact of these factors on our gross revenue earned by practice area is summarized below:

	2005 Compared to 2004			2004 Compared to 2003		
Practice Area Gross Revenue	Total Change	Change Due to Acquisitions	Change Due to Net Internal Growth and Foreign Exchange	Total Change	Change Due to Acquisitions	Change Due to Net Internal Growth and Foreign Exchange
	(In millions of Canadian dollars)			*(In millions of Canadian dollars)*		
Environment	(1.0)	8.1	(9.1)	13.7	(0.1)	13.8
Buildings	51.7	43.6	8.1	17.6	11.7	5.9
Transportation	(0.5)	(0.3)	(0.2)	12.1	11.4	0.7
Urban Land	40.0	29.2	10.8	9.0	6.3	2.7
Industrial & Project Management	7.9	7.5	0.4	12.1	13.0	(0.9)
Total Consulting Services	98.1	88.1	10.0	64.5	42.3	22.2

The following summarizes the acquisitions completed from 2003 to 2005 that impacted each of our practice areas:

- Environment: The Keith Companies, Inc. (September 2005); The Sear-Brown Group Inc. (April 2004); and Ecological Services Group Inc. (May 2003).
- Buildings: Keen Engineering Co. Ltd. (October 2005); The Keith Companies, Inc. (September 2005); CPV Group Architects & Engineers Ltd. (August 2005); GBR Architects Limited (May 2004); Dunlop Architects Inc. (October 2004); The Sear-Brown Group, Inc. (April 2004); and APAI Architecture Inc. and Mandalian Enterprises Limited (January 2003).
- Transportation: The Sear-Brown Group, Inc. (April 2004).

- Urban Land: The Keith Companies, Inc. (September 2005) and The Sear-Brown Group, Inc. (April 2004).
- Industrial & Project Management: The Keith Companies, Inc. (September 2005) and The Sear-Brown Group, Inc. (April 2004).

All of our practice areas generate a portion of their gross revenue in the United States. The strengthening of the Canadian dollar against the US dollar in 2005 compared to 2004 and in 2004 compared to 2003 negatively impacted the change in gross revenue year over year. The average Canadian exchange rate appreciated against the US dollar by approximately 9.2% from 2004 to 2005 (US$0.76 to US$0.83) and by 7.0% from 2003 to 2004 (US$0.71 to US$0.76).

Gross revenue for the Environment practice area decreased by 0.9% from 2004 to 2005, compared to a 14.9% increase from 2003 to 2004. In 2005 the Environment practice area focused on improving the operational effectiveness of underperforming operations. During the last half of 2004, certain of our operations in the Environment practice area were curtailed through staff reductions, resulting in a decrease in the level of revenue generated in 2005. This strategic realignment enhanced the Environment practice area's ability to improve its gross margin (56.5% in 2005 versus 55.2% in 2004) and should enhance its ability to increase its contribution to the Company's results in the future.

Gross revenue for the Buildings practice area grew 48.1% from 2004 to 2005, compared to a 19.5% increase from 2003 to 2004. The percentage increase resulted from a combination of internal growth, growth through acquisitions, the presence of strong economies in the regions in which the practice area operates, and our transition from a group of local and regional offices into a national practice able to provide sought-after expertise in markets such as health care, research, education, and aviation.

Gross revenue for the Transportation practice area decreased by 0.5% from 2004 to 2005, compared to a 15.0% increase from 2003 to 2004. The $12.1 million increase during 2004 was primarily due to the Sear-Brown acquisition, which added considerable Transportation presence in the United States. Delays in US federal transportation funding in 2005 contributed to the $1.0 million decline in US gross revenue from the Sear-Brown acquisition during 2005. Opportunities in the United States are expected to increase with the recent signing of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users. This bill provides over US$286.4 billion for US federal surface transportation programs relating to highway, highway safety, and transit projects for the five-year period from 2005 to 2009.

Gross revenue for the Urban Land practice area grew by 23.7% from 2004 to 2005, compared to a 5.6% increase from 2003 to 2004. This practice area grew both internally and through acquisitions during 2004 and 2005. Of the $40.0 million increase in gross revenue in 2005, $29.2 million was the result of acquisitions, of which $28.4 million was due to the acquisition of Keith in September.

Gross revenue for the Industrial & Project Management practice area grew by 17.4% from 2004 to 2005 and increased by 36.2% from 2003 to 2004. Of the $7.9 million increase during 2005, $5.8 million was due to the Sear-Brown acquisition. Of the $12.1 million increase in 2004, $13.0 million was due to the Sear-Brown acquisition offset by the negative impact of the strengthening Canadian dollar.

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 increased to 55.3% in 2005 from 54.2% in 2004 and 53.1% in 2003. During 2005, we implemented a flat rate disbursement practice as a means of simplifying the recovery of administrative disbursements related to billable projects. The impact of this change was a 1.2% increase in gross margin. In addition, the information available from our enterprise management system contributed to improved project management and enhanced gross margin in 2005. The increase in our gross margin percentage in 2004 from 2003 was due to the lower proportion of total labor that was charged to projects during 2004 compared to 2003 as well as the mix of projects in progress and being pursued throughout the year. There will continue to be fluctuations in the margins reported from year to year as a result of the mix of projects in progress during any year.

The following table summarizes our gross margin percentages by practice area for 2005, 2004, and 2003:

Practice Area Gross Margin	2005	2004	2003
Environment	56.5%	55.2%	53.4%
Buildings	55.7%	53.1%	53.0%
Transportation	56.0%	56.0%	52.4%
Urban Land	56.1%	55.6%	54.4%
Industrial & Project Management	47.6%	46.4%	46.7%

Gross margins in all practice areas have improved from 2003 to 2005 and are higher than the anticipated rate of 53 to 55% set out in our 2004 Management's Discussion and Analysis, with the exception of our Industrial & Project Management practice area where the year-to-date gross margin is 47.6%. This practice area experienced a slow start in the year; however, its margins are steadily increasing, and we believe opportunities exist to further increase its gross margins with the addition of skills from the Keith acquisition. The increase in gross margins in all practice areas in 2005 compared to 2004 can be attributed to the same factors discussed above. Our 2004 Transportation and Urban Land practice area gross margins increased over 2003 gross margins by 3.6% and 1.2%, respectively, primarily as a result of the type and size of the projects undertaken by these practice areas during 2004 as well as an increase in billing rates.

Administrative and Marketing Expenses

Administrative and marketing expenses as a percentage of net revenue were 40.5% in 2005 (within the expected range of 40 to 42% for these expenses), compared to 40.9% in 2004 and 39.5% in 2003. Administrative and marketing expenses fluctuate as a result 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 throughout the year.

In 2005 administrative and marketing expenses were reduced by an adjustment to our estimate of allowance for doubtful accounts receivable based on improved information available on our historical loss experience. In addition, our enhanced processes for identifying projects that qualify for SR&ED tax credits reduced our administrative and marketing expenses by $1.2 million. The above reductions were offset by a year-over-year $4.6 million increase in our provision for professional liability claims, which was based on the results of an independent actuarial review completed in 2005. Administrative and marketing expenditures grew at a lower rate than the increase in net revenue in 2005 despite incremental administrative activities such as the costs incurred to become listed on the NYSE and to register with the U.S. Securities and Exchange Commission (SEC) and increased regulatory and governance activities as a

result of complying with Canadian and US securities regulators. The increase in administrative and marketing expenditures in 2004 compared to 2003 was due to a higher proportion of total labor being charged to administrative and marketing labor.

Depreciation of Property and Equipment

Depreciation of property and equipment as a percentage of net revenue was 2.4% in 2005, 2.7% in 2004, and 2.5% in 2003. In 2004 we began depreciating our new enterprise management system as well as our new office building in Edmonton, Alberta, resulting in an increase in depreciation from 2003 to 2004. The reduction in depreciation expense as a percentage of net revenue in 2005 related to the sale of our office building in Edmonton during the fourth quarter of 2004. Our depreciation expense on an absolute basis has remained relatively constant, while net revenue has increased, resulting in a reduction as a percentage of net revenue.

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

	2005	2004	2003
	(In thousands of Canadian dollars)		
Amortization of client relationships	1,050	579	406
Amortization of backlog	1,349	239	438
Other	143	109	81
Total amortization of intangible assets	2,542	927	925

An increase of $1.6 million occurred from 2004 to 2005 due to the fair value of the intangibles identified upon the purchase of the three acquisitions in 2005. Of the $2.5 million amortized in 2005, $1.4 million related to the Keith acquisition. We recorded an amount of $4.0 million in contract backlog on the purchase of Keith. This amount will be amortized as an expense over 18 months from the date of acquisition. The amortization of intangible assets remained fairly constant from 2003 to 2004 because the value of the intangibles acquired during those two years was similar.

Net Interest Expense

The reduction of $2.2 million in net interest expense in 2005 compared to 2004 was a result of maintaining a positive net cash position during the first three quarters of 2005 compared to a position of bank indebtedness during the same period in 2004. In addition, our total long-term debt position during the first three quarters of 2005 was less than it was during the same period in 2004, which contributed to the reduction in overall interest expense. As at December 31, 2005, there were $50.0 million and US$25.0 million (C$29.0 million) outstanding on our new credit facility at an average interest rate of 4.34%. Depending on the form under which the credit facility is accessed and certain financial covenant calculations, rates of interest may vary between Canadian prime, US base rate, or LIBOR rate or bankers acceptance rates plus 65 or 85 basis points.

Foreign Exchange Gains (Losses)

We recorded a foreign exchange gain of $0.4 million in 2005, compared to a foreign exchange gain of $0.1 million in 2004 and a foreign exchange loss of $0.6 million in 2003. The foreign exchange gains and losses reported have arisen on the translation of the foreign-denominated assets and liabilities held in our Canadian companies and in our non-US-based foreign subsidiaries. Throughout 2003 and most of 2004, we used US-dollar-denominated debt to minimize our exposure to foreign currency fluctuations. Late in 2004, due to an improvement in our cash position, we were able to reduce the amount of this debt. Therefore, in order to minimize our exposure to foreign exchange fluctuations, we matched US-dollar assets with US-dollar liabilities and entered into forward contracts to buy or sell US dollars in exchange for Canadian dollars. In Q4 05, we borrowed US dollars to complete the Keith acquisition. The US-dollar debt offset our investment in US-dollar net assets and eliminated the need to enter into forward contracts.

In 2003 the Canadian dollar rose from US$0.63 at the beginning of the year to US$0.77 at the end of the year, and the impact of this significant change on our overall exposure to foreign currency assets resulted in an exchange loss of $0.6 million. In 2004 the Canadian dollar continued to strengthen to US$0.83, and we recorded a $0.1 million gain in 2004 as a result of better matching of US-dollar assets and liabilities. During 2005, the Canadian dollar continued to strengthen to US$0.86, and we recorded a foreign exchange gain of $0.4 million since there was a period at the closing of the Keith transaction when our US-dollar-denominated liabilities exceeded our US-dollar-denominated assets. Approximately $0.4 million of this gain was reflected in Q3 05.

Income Taxes

Our effective income tax rate for 2005 was at 35.0%, compared to 32.4% for 2004 and 36.7% for 2003. In our 2004 Management's Discussion and Analysis, we anticipated that our effective tax rate would be in the range of 33.0 to 35.0% depending on our estimated earnings in each of our taxing jurisdictions. We review our estimated income tax rate quarterly and adjust it based on changes in statutory rates in the jurisdictions in which we operate as well as on our estimated earnings in each of these jurisdictions. Throughout 2005, we maintained our estimated rate consistently at 35.0%. The rate of 32.4% for 2004 was favorably impacted by the additional income reflected in our regulated insurance subsidiary in Q4 04; a portion of that income was subject to tax at lower rates resulting in a 1.2% reduction of our consolidated tax rate.

Quarterly Trends and Fourth Quarter Results

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

Quarterly Operating Results

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

	2005				2004			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Gross revenue	180.6	146.1	150.2	141.1	127.0	139.8	136.8	117.3
Net revenue	151.9	125.9	127.7	119.1	107.1	119.8	118.7	103.6
Net income	8.0	12.8	13.1	6.7	9.6	8.5	6.4	5.7
EPS – basic	0.36	0.66	0.69	0.36	0.52	0.46	0.35	0.31
EPS – diluted	0.35	0.64	0.67	0.35	0.50	0.44	0.33	0.30

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

The following items impact the comparability of our quarterly results:

	Q4 05 vs. Q4 04	Q3 05 vs. Q3 04	Q2 05 vs. Q2 04	Q1 05 vs. Q1 04
		(In millions of Canadian dollars)		
Increase (decrease) in gross revenue due to:				
Acquisitions completed in current and prior two years	40.8	9.9	14.2	23.2
Net internal growth	14.4	0.8	4.3	3.3
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(1.6)	(4.4)	(5.1)	(2.7)
Total increase in gross revenue	53.6	6.3	13.4	23.8

During Q4 05, our gross revenue showed strong growth since it increased $53.6 million, or 42.2%, to $180.6 million from $127.0 million for the same period in 2004. Approximately $40.8 million of this increase resulted from acquisitions completed in 2003, 2004, and 2005 and net internal growth of $14.4 million, offset by $1.6 million resulting from the effect of the change in foreign exchange rates during those years.

Net income during Q4 05 decreased by $1.6 million, and earnings per share decreased $0.16 compared to the same period in 2004. The decrease in net income was partly due to the $1.0 million in additional professional liability claims expense recorded in Q4 05 based on an independent actuarial report completed in Q4 05. Net income was also affected by an increase of $1.8 million in the amortization of intangible assets over Q4 04 arising on the three acquisitions completed in 2005. The weighted average number of shares in the Company outstanding during Q4 05 was 22,307,604 and included the 3,328,776 shares issued as part of the Keith acquisition compared to the 18,532,085 shares outstanding during Q4 04. The combined impact of these items reduced our reported earnings per share by $0.16. In addition, costs were incurred during the integration of the acquired entities. In Q4 05 we integrated approximately 1,000 staff into our Company from the Keith and Keen acquisitions, who were then required to learn new practices and processes and understand new systems. Such a learning curve results in decreased productivity until the learning is complete. We estimate the impact of this decrease in productivity to be in the $2 to $3 million range for Q4 05.

In Q4 04 we reflected approximately $1.3 million in additional income as a result of a cumulative adjustment made to the professional liability claims reserve required in our regulated insurance subsidiary based on an independent actuarial report. As well, the reduction in the claims expense resulted in additional income in a low tax rate jurisdiction, the impact of which was reflected entirely in Q4 04. The impact of this adjustment on our Q4 04 income tax expenses was a decrease of $0.4 million. The combined impact of these items increased our reported earnings per share in that quarter by $0.09.

Liquidity and Capital Resources

The following table represents summarized working capital information as at December 31, 2005, compared to December 31, 2004:

	Dec 31, 2005	Dec 31, 2004	% Change
	(In millions of Canadian dollars, except ratios)		
Current assets	280.4	208.8	34.3%
Current liabilities	(157.8)	(126.8)	24.4%
Working capital	122.6	82.0	49.5%
Current ratio	1.78	1.65	n/a

note: Working capital is calculated by subtracting current liabilities from current assets. The current ratio is calculated by dividing current assets by current liabilities.

Our cash flows from operating, investing, and financing activities, as reflected in the Consolidated Statement of Cash Flows, are summarized in the following table:

	2005	2004	2003	$ Change 2005 vs. 2004	$ Change 2004 vs. 2003
			(In millions of Canadian dollars)		
Cash flows from operating activities	57.3	77.4	16.9	(20.1)	60.5
Cash flows used in investing activities	(114.6)	(10.2)	(33.5)	(104.4)	23.3
Cash flows from (used in) financing activities	47.9	(36.0)	(4.2)	83.9	(31.8)

Our liquidity needs can be met through a variety of sources, including cash generated from operations, long- and short-term borrowings from our $160 million credit facility, and the issuance of common shares. Our primary use of funds is for operational expenses, acquisitions, and sustaining capital spending on property and equipment. We continue to generate cash flows from operations to assist with our acquisition growth. In addition, we continue to manage according to the established management guideline of maintaining a debt to equity ratio of less than 0.5 to 1.

Working Capital

Our working capital at the end of 2005 was $122.6 million, compared to $82.0 million in 2004. Current assets increased by $71.6 million, and current liabilities increased by $31.0 million. The increase in current assets was partly due to an increase in restricted cash. A portion of the cash acquired as part of the Keith acquisition (US$26.1 million) is subject to restrictions outlined in the merger agreement to allow the transaction to qualify as a reorganization under US tax regulations. This cash cannot be used, directly or indirectly, to pay debt incurred with respect to financing the acquisition of Keith. Generally, the restricted cash will be used to finance future acquisitions as well as future capital expenditures. The restricted cash outstanding as at December 31, 2005, was $21.3 million (US$18.3 million). The addition of the non-cash working capital of CPV, Keith, and Keen also contributed to the increase in working capital in 2005.

Cash Flows From Operating Activities

Cash flows from operating activities were down by $20.1 million in 2005 from 2004 and up by $60.5 million from 2003 to 2004. The decrease in 2005 was reflective of a significant increase in operating cash flows in 2004 as explained below. The implementation of our new enterprise management system in the fourth quarter of 2003 contributed to the significant reduction in cash flows from operations for 2003. The reduction in our investment in costs and estimated earnings in excess of billings and in accounts receivable from 119 to 101 days of revenue during 2004 was the primary reason for the increased cash flow in 2004. In 2005 we maintained this improved level of investment at 101 days.

We provided allowances on our accounts receivable based on the probability of collection as well as the age of the receivable. We perform a review of collections subsequent to the period end in order to adjust our provisions for known collections for the accounts provided for. During the period 2003 through 2005, our provision for doubtful accounts as a percentage of accounts receivable has continued to fall as our collection procedures and billing cycles have become more refined and as the availability of historical collection and loss experience has been enhanced. We generally expect that costs and estimated earnings in excess of billings will be invoiced within a month to 90 days from the provision of services, and our

standard terms are that invoices are due upon receipt. The implementation of our new enterprise management system has provided us with additional tools and information that may translate into improved collections on older accounts receivable and reduce the level of allowance for doubtful accounts.

In addition to the above, the decrease in operating cash flows in 2005 was due to an increase of $17.8 million in net income taxes paid and a net increase of $4.7 million in cash receipts from clients less cash paid to suppliers and employees, offset by a reduction of $2.2 million in the amount of net interest expense paid in 2005. Income taxes payable at the end of 2003 were lower than normal due to our high level of investment in costs and estimated earnings in excess of billings at that time. This resulted in lower income tax payments in the first quarter of 2004 as well as lower income tax installment requirements for 2004. Our income tax payments increased in 2005 over 2004 to cover the higher income tax liability outstanding at the end of 2004 as well as the increased income tax installments required for 2005.

Cash Flows From Investing Activities

Cash flows used in investing activities increased by $104.4 million from 2004 to 2005 and decreased by $23.3 million from 2003 to 2004. In 2005 $100.4 million was used to finance the three acquisitions completed during the year versus $18.8 million used in 2004 and $6.0 million used in 2003. Our 2005 investment activities also included the use of $1.7 million for the expansion and improvement of our office in Winnipeg, Manitoba. In 2004 there was a cash inflow from the sale of our Edmonton office building as well as the sale of our interest in Goodfellow EFSOP(™) technology. This 2004 inflow was offset by an investment in short-term investments related to self-insured liabilities arising on the establishment of our regulated insurance company. In 2003 our cash flow used in investment activities was higher than in 2004 because it included the investment in our new enterprise management system and an investment in construction costs associated with an addition to our Edmonton office building.

As a professional services organization, we are not capital intensive. Our capital expenditures have historically been made primarily for property and equipment that includes such items as computer equipment and business information systems software, furniture, leasehold improvements, and other office and field equipment. As indicated above, the largest capital expenditures incurred from 2003 to 2004 related to the construction of an addition to our Edmonton office building, renovations to the original Edmonton office building, costs associated with the implementation of our new business information system, and leasehold improvements on new office space. We expect our capital expenditures in 2006 to be approximately $17.9 million relating to leasehold improvements for various office locations, primarily in Canada, as well as upgrades to a number of our desktop computers to support updated versions of certain application and operating system software. Other normal capital expenditures accounted for the use of approximately $9.2 million, $7.8 million, and $10.6 million in each of 2003, 2004, and 2005, respectively. Our capital expenditures in these years were financed by cash flows from operations as well as a mortgage obtained for the construction of the addition to our Edmonton office building.

Cash Flows From Financing Activities

Cash flows from financing activities increased by $83.9 million from 2004 to 2005 and decreased by $31.8 million from 2003 to 2004. In 2005 we replaced our credit facility by repaying $24.0 million outstanding on long-term debt and entering into a new three-year revolving credit facility. Our new credit facility provides for a line of credit of $160 million. During the third quarter, we accessed $95.9 million of the new credit facility for acquisition purposes and repaid $16.9 million in the fourth quarter, leaving $81.0 million available to access for future activities. This facility is available for acquisitions, working capital needs,

capital expenditures, and general corporate purposes. Depending on the form under which the credit facility is accessed and certain financial covenant calculations, rates of interest will vary between Canadian prime, US base rate, or LIBOR rate or bankers acceptances rates plus 65 or 85 basis points. The average interest rate on the amounts outstanding at December 31, 2005, was 4.34%. The new credit facility contains financial tests and other covenants with which we must comply at each quarter-end. In particular, we must satisfy the following specified ratios: 1) the senior debt to EBITDA ratio must not exceed 2.50 to 1.0 at any time and 2) the EBITDAR to debt service ratio must not be less than 1.25 to 1.0 at any time. EBITDA, EBITDAR, and EBITDAR to debt service ratio are defined in the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section below. We were in compliance with these covenants as of December 31, 2005. During 2005, we also used $2.0 million for share issue costs related to the shares issued in conjunction with the acquisition of Keith. Options exercised for cash in 2005 generated cash of $1.0 million.

In 2004 funds received on the exercise of share options, as well as the net decrease in funds used to repurchase shares under our Normal Course Issuer Bid, were offset by the use of funds to pay down our bank indebtedness and long-term borrowings. This bank indebtedness had been incurred in 2003 and early 2004 to finance the level of investment in accounts receivable and in costs and estimated earnings in excess of billings that resulted from the implementation of our new enterprise management system. Improvement in the level of these investments, as well as proceeds received on the sale of our Edmonton office building, provided the additional funds to repay our long-term debt and bank indebtedness.

Shareholders' Equity

Our shareholders' equity increased $159.0 million to $348.1 million from $189.1 million at the end of 2004. This increase resulted from net income of $40.6 million, the issue of $123.4 million in shares and of $2.2 million in restricted shares in conjunction with the Keith acquisition, the issue of $1.0 million in shares on the exercise of options, and the recognition of the fair value of share-based compensation of $1.3 million, offset by share issue costs of $1.5 million, the repurchase of $0.2 million in shares pursuant to the Normal Course Issuer Bid, deferred stock compensation of $1.2 million recorded in conjunction with the Keith acquisition, and the $6.6 million change in our cumulative translation account arising on the translation of our US-based subsidiaries. The $6.6 million change was due to the continued strengthening of the Canadian dollar—from US$0.83 to US$0.86—in relation to the US dollar during the year.

Our shareholders' equity increased $28.6 million to $189.1 million from $160.5 million in 2003. This increase resulted from net income of $30.2 million in 2004, the recognition of the fair value of share-based compensation of $0.7 million, and the issue of $3.5 million in shares on the exercise of options, offset by the repurchase of $0.7 million in shares pursuant to the Normal Course Issuer Bid during the year and the $5.1 million change in our cumulative translation account arising on the translation of our US-based subsidiaries. The $5.1 million change was due to the strengthening of the Canadian dollar—from US$0.77 to US$0.83—in relation to the US dollar during the year.

Our Normal Course Issuer Bid on the TSX was renewed in 2005 and allows us to repurchase up to 946,705 shares. We continue to believe that, from time to time, the market price of our common shares does not fully reflect the value of our business or future business prospects and that, at such times, outstanding common shares are an attractive, appropriate, and desirable use of available Company funds. In 2005 we purchased 6,800 common shares at an average price of $28.68 per share for an aggregate price of $195,000. In 2004 we purchased 29,300 common shares at an average price of $24.57 per share for an aggregate price of $720,000.

Other

Outstanding Share Data

As at December 31, 2005, there were 22,313,131 common shares and 938,264 share options outstanding. During the period of December 31, 2005, to February 10, 2006, no shares were repurchased under our Normal Course Issuer Bid, 188,653 share options were exercised, and 8,164 common shares were issued upon the vesting of restricted shares issued on the Keith acquisition.

Contractual Obligations

As part of our continuing operations, we enter into long-term contractual arrangements from time to time. The following table summarizes the contractual obligations due on our long-term debt, other liabilities, and operating lease commitments as of December 31, 2005:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**2–3 years**	**4–5 years**	**After 5 years**
		(In millions of Canadian dollars)			
Long-term debt	86.7	4.8	81.8	0.0	0.1
Interest on debt	9.5	3.7	5.8	0.0	0.0
Other liabilities	30.8	6.0	8.0	7.1	9.7
Operating lease commitments	211.7	34.8	56.5	40.8	79.6
Total contractual obligations	338.7	49.3	152.1	47.9	89.4

For further information regarding the nature and repayment terms of our long-term debt, refer to the Cash Flows From Financing Activities section. Our operating lease commitments include obligations under office space rental agreements, and our other liabilities primarily include leasehold inducement benefits and provision for self-insurance.

Off-Balance Sheet Arrangements

As of December 31, 2005, our only significant off-balance sheet financial arrangements related to letters of credit in the amount of $1.07 million that expire at various dates before November 2006. These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations.

Market Risk

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

Currency. Because a significant portion of our revenue and expenses is generated or incurred in US dollars, we face the challenge of dealing with fluctuations in exchange rates. To the extent that US-dollar revenues are greater than US-dollar expenses in a strengthening US-dollar environment, we expect to see a positive impact on our income from operations. Conversely, to the extent that US-dollar revenues are greater than US-dollar expenses in a weakening US-dollar environment, we expect to see a negative impact. This exchange rate risk primarily reflects, on an annual basis, the impact of fluctuating exchange rates on the net difference between total US-dollar professional revenue and US-dollar expenses. Other exchange rate risk arises from the revenue and expenses generated or incurred by subsidiaries located outside Canada and the United States. Our income from operations will be impacted by exchange rate

fluctuations used in translating these revenue and expenses. In addition, the impact of exchange rates on the balance sheet accounts of subsidiaries located outside Canada and the United States will affect our operating results. We also continue to be exposed to exchange rate risk for the US-dollar and other foreign currency-denominated balance sheet items carried by our Canadian, US, and international operations.

Interest Rate. Changes in interest rates also present a risk to our performance. Our credit facility carries a floating rate of interest. We estimate that, based on our balance at December 31, 2005, a 1% change in interest rates would impact our earnings per share by between $0.02 and $0.03.

Related Party Transactions

We have not entered into any related party transactions as defined in Section 3830 of the Canadian Institute of Chartered Accountants (CICA) Handbook.

OUTLOOK

The following table summarizes our expectations for the coming year:

Measure	Expected Range
Debt to equity ratio *[note 1]*	At or below 0.5 to 1
Return on equity *[note 2]*	At or above 14%
Net income as % of net revenue	At or above 5%
Gross margin as % of net revenue	Between 54 and 56%
Administrative and marketing expenses as % of net revenue	Between 40 and 42%
Effective income tax rate	Between 32 and 34%

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

note 2: Return on equity is calculated as net income for the year divided by average shareholders' equity over each of the last four quarters.

As we move toward our goal of becoming a top 10 global design firm—and beyond—we recognize that the infrastructure and facilities market in North America is diverse and varies significantly from region to region. The market is also made up of many technical disciplines, clients, and industries and engages both the private and public sectors. Overall, we expect the outlook for professional services in this market to remain positive, with private and public sector spending on infrastructure increasing in 2006 and for the near term. We base this expectation on a variety of factors:

- The need for investment in upgrading public infrastructure in response to the condition of aging facilities and increased demands presented by the growth of North American cities
- The implementation of the new six-year, US$286.4 billion Safe, Accountable, Flexible, Efficient Transportation Equity: A Legacy for Users program in the United States, which promises increased funding for highway projects
- An increasing awareness of and focus on sustainable design and development

- The revitalization and reintroduction of residential and mixed-use projects in the downtown core of North American cities
- Strong commodity prices prompting the planning of pipeline, power plant, and other private infrastructure projects
- Growth in the cash reserves of private corporations, which will likely be reinvested, in part, in the construction of new facilities
- Anticipated strength, by historical standards, in the single-family housing sector in 2006 (despite a slight decrease in the housing market), fueled by continued affordability, high employment, positive economic conditions, and buoyant consumer confidence.

In addition, research suggests that the demand for design and construction services will continue to be strong for the next several years. For example, according to a report from the Brookings Institution (2004) entitled *Toward a New Metropolis: The Opportunity to Rebuild America* , only half of the “built space” that will be needed to accommodate a growing population and expanding economy in the United States over the next 25 years is currently in place. By 2030, a projected 60 million housing units will need to be built, along with nearly 100 billion square feet (9.29 billion square metres) of commercial and institutional space and close to 8.3 billion square feet (771 million square metres) of industrial space. The report forecasts that most of the expected growth will occur in the southern and western United States, two of our key target areas for geographic expansion.

In light of this market outlook, we plan to continue to grow our operations through a combination of internal hiring and acquisitions. We target to achieve long-term average annual compound growth rates of 15 to 20%, although we may not see growth in this range every year. We have chosen this target because we believe that it is an attainable goal that allows us to enhance the depth of our expertise, broaden our service provision, provide expanded opportunities for our employees, and lever our information technology systems. Our ability to continue to grow at this rate depends to a large extent on the availability of acquisition opportunities. Since our industry is made up of 100,000 mostly small firms, there are many acquisition candidates. At any one time we are engaged in discussions with up to 20 or more firms. Currently, the firms with which we are in some stage of discussion have between 10 and 1,000 employees.

We expect to support our targeted level of growth using a combination of cash flows from operations and additional financing while maintaining a return on our equity at or above 14% and a net income at or above 5% of net revenue. Although we believe that a normal debt to equity ratio at or below 0.5 to 1 is an appropriate target for our Company, opportunities to complete transactions may make it necessary for us to increase the amount of debt we carry beyond that limit. If the need to finance a larger acquisition arises, we will seek to raise cash by issuing additional shares.

Looking at the results of our current mix of project activity in the United States and Canada, we anticipate that our gross margin as a percentage of net revenue will remain in the range of 54 to 56% for 2006 and that our administrative expenses will remain in the range of 40 to 42% of net revenue. In addition, we expect our effective tax rate for 2006 to be between 32 and 34%.

With the 2005 acquisition of Keen, one of the leaders and advocates of the “green” building and design movement across North America, we also expect to increase our work in the area of sustainable development and to attract more clients who have sustainability as their focus.

CRITICAL ACCOUNTING ESTIMATES, DEVELOPMENTS, AND MEASURES

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with Canadian GAAP, which require management to make various estimates and assumptions. The notes to our December 31, 2005, consolidated financial statements outline our significant accounting estimates. The accounting estimates discussed below are considered particularly important since they require the most difficult, subjective, or 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 or financial statement line items to arise either from reasonably likely changes in material assumptions underlying the estimate or within a valid range of estimates from which the recorded estimate was selected. In addition, management is not aware of trends, commitments, events, or uncertainties that it reasonably expects to materially affect the methodology or assumptions associated with its critical accounting estimates, subject to items identified in the Caution Regarding Forward-Looking Statements and Risk Factors sections of this Management's Discussion and Analysis.

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

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

Provision for Doubtful Accounts. We use estimates in determining our allowance for doubtful accounts related to trade receivables. These estimates are based on our best assessment of the collectibility of the related receivable balance based, in part, on the age of the specific receivable balance. A provision is established when the likelihood of collecting the account has significantly diminished. Future collections of

receivables that differ from our current estimates would affect the results of our operations in future periods and our accounts receivable and reported revenue. In the second quarter of 2005, management revised its estimate of allowance for doubtful accounts. This revision was based on improved information available on our historical loss experience and has been applied prospectively. The impact of this change during the second quarter was a $4.0 million reduction in administrative and marketing 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 assumptions made by management, 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 by 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 the 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 recorded. Our income tax expense reflects an estimate of the cash taxes we expect to pay in 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 expectation about future operating results, and possible audits of tax filings by regulatory authorities. Management assesses 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 reserve. 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 review long-lived assets and intangible assets with finite lives on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows, and measurement of an 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, management makes estimates or assumptions about factors such as current and future sales, margins, market conditions, and the useful life of an asset. If our estimates or assumptions change from those used in our current analysis, we may be required to recognize an impairment loss in future periods that would decrease our long-lived and intangible assets and increase our reported expenses.

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

Business Combinations—Purchase Price Allocation. In a business combination, we may acquire the assets and assume certain liabilities of an acquired entity. The allocation of the purchase price for these transactions involves judgment in determining the fair values assigned to the tangible and intangible assets acquired and the liabilities assumed on the acquisition. The determination of these fair values involves a variety of assumptions, revenue growth rates, expected operating income, discount rates, and earning multiples. If our estimates or assumptions change prior to finalizing the purchase price allocation for a transaction, a revision to the purchase price allocation or the carrying value of the related assets and liabilities acquired may impact our net income in future periods. We are currently in the process of finalizing the purchase price allocation for the CPV, Keith, and Keen acquisitions.

Accounting Developments

Variable Interest Entities. Effective January 1, 2005, we adopted the recommendations of Accounting Guideline 15 (AcG-15)—"Consolidation of Variable Interest Entities" (VIEs). VIEs are those entities that are subject to control on a basis other than ownership of voting interests. AcG-15 provides guidance for identifying VIEs as well as criteria for determining consolidation. Our consolidated financial statements include the accounts of our Company, its subsidiary companies, and all VIEs. The Company is the primary beneficiary for all VIEs. Our initial adoption of this accounting guideline on a prospective basis did not have an impact on our consolidated financial statements.

GAAP Hierarchy. Effective January 1, 2004, we adopted the recommendations of Section 1100 of the CICA Handbook, "Generally Accepted Accounting Principles." This section establishes standards for financial reporting in accordance with GAAP. It describes what constitutes GAAP and its sources and states that an entity should apply every primary source of GAAP that deals with the accounting and reporting in financial statements of transactions or events it encounters. Our initial adoption of these recommendations on a prospective basis did not have an impact on our consolidated financial statements.

Financial Instruments—Recognition and Measurement. In January 2005, the CICA released the new handbook Section 3855, "Financial Instruments—Recognition and Measurement," effective for annual and interim periods beginning on or after October 1, 2006. This pronouncement further aligned Canadian GAAP with US GAAP. The section provides standards for the classification of financial instruments and related interest, dividends, gains, and losses. It prescribes when a financial instrument should be stated at fair value and when it would be valued using cost-based measures. Financial instruments are defined to include accounts receivable and payable, loans, investments in debt and equity securities, and derivative contracts. Upon initial adoption of these recommendations in fiscal 2007, our investments held for self-insured liabilities will be reflected as investments held for sale, and the resulting unrealized gains or losses will be reflected through other comprehensive income until realized, at which time the gains or losses will be recognized in net income. This new standard is not expected to have a material effect on the results of our operations.

Comprehensive Income and Equity. In January 2005, the CICA released the new handbook Section 1530, "Comprehensive Income," and Section 3251, "Equity," effective for annual and interim periods beginning on or after October 1, 2006. These pronouncements further aligned Canadian GAAP with US GAAP. Section 1530 establishes standards for the reporting and display of comprehensive income. Comprehensive income is defined to include revenues, expenses, gains, and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income but excluded from net income. Section 1530 does not address issues of recognition or measurement for comprehensive income and its components. Section 3251, "Equity," establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements set out in Section 3251 are in addition to those

established in Section 1530 and require that an enterprise present separately the components of equity: retained earnings, accumulated other comprehensive income, the total for retained earnings and accumulated other comprehensive income, contributed surplus, share capital, and reserves. Upon initial adoption of these recommendations in fiscal 2007, unrealized losses on the translation of our self-sustaining foreign operations will be included in comprehensive income. Currently, these unrealized losses are reflected in our cumulative translation account.

Materiality

Management determines whether or not information is “material” based on whether it believes 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. Management believes these are useful measures for providing investors with additional information to assist them in understanding components of our financial results.

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

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

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

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

Working Capital. This measure assists us in assessing the overall liquidity of our Company. Working capital is calculated by subtracting current liabilities from current assets.

Current Ratio. This measure assists us in assessing the overall liquidity of our Company. Current ratio is calculated by dividing current assets by current liabilities.

EBITDA. EBITDA represents earnings before income taxes depreciation and amortization. This measure is referenced in our credit facility as part of our debt covenants. It is defined in the credit facility for any period as net income for such period plus all amounts deducted in the calculation thereof on account of interest expense, income taxes, depreciation, amortization, and any minority interest.

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, calculated on a rolling four quarter basis, building rental obligations net of common area costs, taxes, charges, and levies.

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, on a rolling four fiscal quarter basis, permanent principal and interest payments in respect of the debt plus building rental obligations net of common area costs, taxes, charges, and levies.

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 and currency values
- The effects of war or terrorist activities
- The effects of disease or illness on local, national, or international economies
- The effects of disruptions to public infrastructure, such as transportation or communications
- Disruptions in power or water supply
- Industry and worldwide economic and political conditions
- Regulatory and statutory developments
- The effects of competition in the geographic and business areas in which we operate
- The actions of management
- Technological changes.

Investors and the public should carefully consider these factors, other uncertainties, and potential events as well as the inherent uncertainty of forward-looking statements when relying on these statements to make decisions with respect to Stantec. We do not undertake to update any forward-looking statement, whether

written or verbal, that may be made from time to time by the organization or on its behalf. Additional operating, market, and growth and acquisition integration risks are outlined below.

Operating Risks

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

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

We often contract with outside companies to perform designated portions of the services we provide to our clients. In 2005 subconsultant costs accounted for approximately 9.6% (2004, 8.6%) of our gross revenue. If we are unable to engage qualified subconsultants, our ability to perform under some of our contracts may be impeded and the quality of our service may decline. As a consequence, we may lose projects, revenue, and clients.

We 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.

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

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

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

As of December 31, 2005, our backlog was approximately $588 million. However, the revenue projected in our backlog may not be realized or, if realized, may not result in profits. Projects may remain in our backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur from time to time with respect to contracts reflected in our backlog. Backlog reductions can adversely affect the revenue and profit we actually receive from contracts reflected in our backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of our backlog and the revenue and profits that we actually receive. Finally, poor project or contract performance could also impact our profits.

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 73% of the dollar value of our contracts in 2005 was based on a fixed-fee or time-and-materials contract with a ceiling on the maximum costs to the client. Under fixed-fee contracts, we perform services at a stipulated price. Under time-and-materials contracts with not-to-exceed provisions, we are reimbursed for the number of labor hours expended at an established hourly rate plus the cost of materials incurred subject, however, to a stated maximum dollar amount for the services to be provided. In both of these types of contracts, we agree to provide our services based on our estimate of the costs a particular project will involve. These estimates are established in part on cost and scheduling projections, which may prove to be inaccurate, or circumstances may arise such as unanticipated technical problems, weaknesses in project management, difficulties in obtaining permits or approvals, changes in local laws, or delays beyond our ability to control. 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 staff must continue to work on the project longer than anticipated, which may prevent them from pursuing and working on new projects. Projects that are over budget or not on schedule may also lead to client dissatisfaction.

One of our primary competitive advantages is our reputation and experience. 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.

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

Although we believe that we have made adequate arrangements for insuring against potential liability claims, these arrangements may be insufficient to cover any particular risk. When it is determined that we have liability, we may not be covered by insurance or, if covered, the dollar amount of these liabilities may exceed our policy limits. Our professional liability coverage is on a "claims-made" basis, covering only claims actually made during the policy period currently in effect. In addition, even where insurance is maintained for such exposures, the policies have deductibles resulting in our assuming exposure for a layer of coverage with respect to any such claims. Any liability not covered by our insurance, in excess of our insurance limits, or covered by insurance but subject to a high deductible could result in a significant loss for us, which may reduce our profits and cash available for operations. Moreover, we may become subject to liability that cannot be insured against or against which we may choose not to insure because of high premium costs or for other reasons. Our expansion into new services or geographic areas could result in our failure to obtain coverage for these services or areas, or the coverage being offered may be at a higher cost than our current coverage. Due to the current insurance environment, we have experienced and may continue to experience an increase in our insurance premiums. We may not be able to pass these increases on to our clients in increased billing rates.

We maintain insurance coverage for our operations, including policies covering general liability, automobile liability, environmental liability, workers' compensation and employers' liability, directors' officers' liability, and professional liability. In September 2003 we established 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. We also invest resources in a Risk Management team that is dedicated to providing Company-wide support and guidance on risk avoidance practices and procedures. One of our practices is to carry out select client evaluations, including credit risk appraisals, before entering into contract agreements to reduce the risk of non-payment for our services.

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

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

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 the results of our operations. In addition, clients who withhold payment are more likely to bring claims against us and have a higher tendency toward dissatisfaction with the services we provide.

Market Risks

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

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 smaller, 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.

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

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

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

On a pro forma basis, after giving effect to the Keith merger as if it had occurred on January 1, 2005, we estimate that approximately 39% of our 2005 gross revenue would have been derived from services related to residential and commercial real estate development projects. Consequently, reduced demand in the real estate market would likely have an adverse impact on our Urban Land group. The real estate market, and, therefore, our business, may be impacted by a number of factors, which may include the following:

- Changes in employment levels and other general economic conditions
- Changes in interest rates and in the availability, cost, and terms of financing
- The impact of present or future environmental, zoning, or other laws and regulations
- Changes in real estate tax rates and assessments and other operating expenses

- Changes in levels of government infrastructure spending and fiscal policies
- Natural or human-made disasters and other factors that are beyond our control.

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

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 40 and 55% of our gross revenue during the years ended December 31, 2002, through December 31, 2005, 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 depend, 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. As a result, we may incur costs in connection with the termination of these contracts and suffer a loss of business. As well, contracts with government agencies are sometimes subject to substantial regulation and audit of the actual costs incurred. Consequently, there may be a downward adjustment to our revenue if accrued recoverable costs exceed actual recoverable costs.

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

Our share price has experienced volatility in the past and will likely be volatile in the future. For example, the high and low closing sales prices on the TSX for our common shares during the 52 weeks ended December 31, 2005, were $40.39 and $24.50, respectively. The price of our common shares may fluctuate substantially in the future due to, among other things, the following factors: (1) the failure of our quarterly or annual operating results to meet expectations; (2) the reaction of markets and securities analysts to announcements and developments involving our Company; (3) adverse developments in the worldwide, Canadian, or US economy, the financial markets, or the engineering and consulting services market; (3) changes in interest rates; (4) announcements by key competitors; (5) additions or departures of key staff; (6) announcements of legal proceedings or regulatory matters; and (7) general volatility in the stock market.

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

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 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.

If we need to sell or issue additional common shares and/or incur additional debt to finance future acquisitions, our share ownership could be diluted and the results of our operations could be adversely affected.

Our business strategy is to expand into new markets and enhance our position in existing markets through the acquisition of complementary businesses. In order to successfully complete targeted acquisitions or to fund our other activities, we may issue additional equity securities that could dilute share ownership. We may also incur additional debt if we acquire another company, and this could increase our debt repayment obligations, which could have a negative impact on our future liquidity and profitability.

As mentioned previously, we currently have a $160 million credit facility. However, we have no assurance that debt financing will continue to be available from our current lenders or other financial institutions on similar terms.

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

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

The value of the Canadian dollar relative to the US dollar is subject to volatility. For example, the average exchange rates for the years ended December 31, 2005, December 31, 2004, December 31, 2003, and December 31, 2002, for C$1.00 were US$0.86, US$0.83, US$0.77, and US$0.72, respectively. Furthermore, this volatility may continue in the future, and, as discussed above, increases in the strength of the Canadian dollar relative to the US dollar may have a negative impact on the results of our operations.

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

Growth and Acquisition Integration Risks

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

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

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

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

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

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

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 our 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 to locate suitable acquisitions, our business will not grow in the manner we expect, and we will have difficulty achieving our growth plan.

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. Since the beginning of 2002, we have completed 21 acquisitions, and we expect to continue to pursue selective acquisitions of businesses that will enable us to enhance our market penetration and increase and diversify our revenue base.

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

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

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

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

Uncertainties associated with the merger 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, the integration, or a desire not to remain with the combined company. Accordingly, we may be unable to retain key employees to the same extent that we were able to do so in the past.

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

Goodwill and other intangible assets represent approximately 43.0% of our total assets. When we acquire a consulting business, a significant portion of the purchase price for the acquisition is generally allocated to goodwill and other identifiable intangible assets. The amount of the purchase price allocated to goodwill is determined by the excess of the purchase price paid by us to acquire the consulting business over the fair value of the net identifiable assets acquired. Canadian and US accounting rules require us to perform an annual impairment test of our goodwill and indefinite life intangible assets. A deterioration in the operating

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

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. We also differentiate our Company from competitors by entering into a diverse range of contracts with a variety of fee amounts. Currently, the majority of assignments we pursue are small to midsize projects with a capital value of less than $100 million offering potential project fees for Stantec of less than $10 million. These types of projects represent the largest share of the infrastructure and facilities market. Focusing on this project mix continues to ensure that we do not rely on a few large, single projects for our revenue and that no single client or project accounts for more than 5% of our overall business.

To address the risk of competition for qualified personnel, we offer a number of employment incentives, including training programs, access to a plan that provides the benefit of employee share ownership (for Canadian employees), 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 2004 we completed an extensive review of our benefits programs for our Canadian and US employees with the objectives of providing more personal choice in coverage and emphasizing wellness and preventative care. Our new plans were implemented in the first quarter of 2005.

In 2004 we also created a Practice Enhancement team to champion continuous improvement in project management and the sharing of best practices across our Company, along with promoting the enhanced reliability and consistency of the services we provide to clients. In addition, we expanded our Company-wide project manager training program in 2004. This program is aimed at skill development in risk mitigation, project planning, quality control and assurance, and financial administration, among other project management responsibilities. In 2005 we implemented project manager and leadership portal dashboard training programs designed to enhance the visibility of financially related information to assist our operations leadership in improving performance and decision making. We recognize that through improved project management across our operations we will increase our ability to deliver projects on schedule and within budget.

CORPORATE GOVERNANCE

Disclosure and Control Procedures

Based on an evaluation of Stantec's disclosure controls and procedures, our CEO and Chief Financial Officer have concluded that these controls and procedures operated effectively as of December 31, 2005.

Disclosure Committee

In 2005 Stantec established a Disclosure Committee consisting of a cross section of its management. The committee's mandate is to provide ongoing review of Stantec's continuous disclosure policy to ensure that

it addresses the Company's principal business risks and changes in operations or structure. In addition, the committee facilitates compliance with applicable legislative and regulatory reporting requirements.

Board of Directors

Stantec's board of directors presently includes eight members, six of whom are independent under Canadian securities laws and under the rules of the SEC at the NYSE and free from any interest or relationship that could materially interfere with their ability to act in the best interest of the Company or its 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 2005 Stantec's board included two committees—the Audit Committee and the Corporate Governance and Compensation Committee. Both committees are composed entirely of independent directors.

Audit Committee

The Audit Committee monitors, evaluates, approves, and makes recommendations on matters affecting Stantec's external audit, financial reporting, and accounting control policies. The committee met six times in 2005. The chairman of the committee provides regular reports at the Company's board meetings. The board has determined that each of the Audit Committee's members is financially literate and that the chairman of the Audit Committee, William D. Grace, is a "financial expert" as such term is defined under the rules of the SEC and of the 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 three times in 2005. The chairman of the committee provides regular reports at the Company's board meetings.

More information about our corporate governance can be found on our web site (www.stantec.com) and in the Management Information Circular for our May 4, 2006, annual and special meeting of shareholders. In addition, the following documents are posted on our web site:

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

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

Exhibit 4

STANTEC INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

and

CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2005, and 2004

STANTEC INC.
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Management Report

The annual report, including the consolidated financial statements, is the responsibility of the management of the Company. The consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles. Where alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. The significant accounting policies used are described in note 1 to the consolidated financial statements. Certain amounts in the financial statements are based on estimates and judgments relating to matters not concluded by year-end. The integrity of the information presented in the financial statements is the responsibility of management. Financial information presented elsewhere in this annual report has been prepared by management and is consistent with the information in the consolidated financial statements.

Management is responsible for the development and maintenance of systems of internal accounting and administrative controls of high quality. Such systems are designed to provide reasonable assurance that the financial information is accurate, relevant, and reliable and that the Company's assets are appropriately accounted for and adequately safeguarded.

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

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



Tony Franceschini P.Eng.
President & CEO
February 10, 2006



Don Wilson CA
Vice President & CFO
February 10, 2006

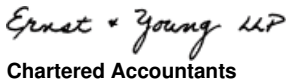
Auditors' Report

To the Shareholders of
Stantec Inc.

We have audited the consolidated balance sheets of **Stantec Inc.** as at December 31, 2005 and 2004 and the consolidated statements of income and retained earnings and cash flows for each of the years in the three-year period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2005 in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Edmonton, Canada
February 10, 2006

Stantec Inc.
Consolidated Balance Sheets

	As at December 31	
	2005	**2004**
	$	**$**
	(In thousands of Canadian dollars)	
ASSETS *[note 8]*		
Current		
Cash and cash equivalents	**28,143**	37,890
Restricted cash *[note 12]*	**21,312**	—
Accounts receivable, net of allowance for doubtful accounts of $16,053 in 2005 ($21,095 — 2004)	**137,928**	112,476
Costs and estimated earnings in excess of billings	**66,172**	40,861
Prepaid expenses	**5,420**	4,165
Future income tax assets *[note 14]*	**14,827**	8,532
Other assets *[note 6]*	**6,569**	4,831
Total current assets	**280,371**	208,755
Property and equipment *[note 3]*	**58,519**	48,262
Goodwill *[note 14]*	**242,674**	84,694
Intangible assets *[note 5]*	**27,304**	6,278
Future income tax assets *[note 14]*	**6,814**	6,357
Other assets *[note 6]*	**13,097**	7,754
Total assets	**628,779**	362,100
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *[note 7]*	**106,757**	78,718
Billings in excess of costs and estimated earnings	**24,251**	18,832
Income taxes payable	**4,441**	5,732
Current portion of long-term debt *[note 8]*	**4,813**	12,820
Future income tax liabilities *[note 14]*	**17,552**	10,653
Total current liabilities	**157,814**	126,755
Long-term debt *[note 8]*	**81,886**	21,155
Other liabilities *[note 9]*	**24,764**	16,818
Future income tax liabilities *[note 14]*	**16,262**	8,316
Total liabilities	**280,726**	173,044
Commitments and contingencies *[notes 2, 8, 10, and 11]*		
Shareholders' equity		
Share capital *[note 12]*	**210,604**	87,656
Contributed surplus *[note 12]*	**5,522**	2,544
Cumulative translation account *[note 3]*	**(25,575)**	(19,018)
Deferred stock compensation	**(833)**	—
Retained earnings	**158,335**	117,874
Total shareholders' equity	**348,053**	189,056
Total liabilities and shareholders' equity	**628,779**	362,100

See accompanying notes

On behalf of the Board:



Director



Director

Stantec Inc.
Consolidated Statements of Income and Retained Earnings

	Years Ended December 31		
	2005	**2004**	**2003**
	$	**$**	**$**
		(In thousands of Canadian dollars, except per share amounts)	
Income			
Gross revenue	**618,020**	520,879	459,942
Less subconsultant and other direct expenses	**93,468**	71,728	68,546
Net revenue	**524,552**	449,151	391,396
Direct payroll costs	**234,553**	205,513	183,471
Gross margin	**289,999**	243,638	207,925
Administrative and marketing expenses	**212,633**	183,739	154,788
Depreciation of property and equipment	**12,389**	11,986	9,912
Amortization of intangible assets	**2,542**	927	925
Net interest expense *[note 8]*	**571**	2,805	2,637
Share of income from associated companies	**(187)**	(385)	(580)
Foreign exchange (gains) losses	**(449)**	(94)	615
Income before income taxes	**62,500**	44,660	39,628
Income taxes *[note 14]*			
Current	**21,735**	18,065	10,050
Future	**143**	(3,595)	4,508
Total income taxes	**21,878**	14,470	14,558
Net income for the year	**40,622**	30,190	25,070
Retained earnings, beginning of the year	**117,874**	88,266	64,240
Shares repurchased *[note 12]*	**(161)**	(582)	(1,044)
Retained earnings, end of the year	**158,335**	117,874	88,266
Earnings per share *[note 15]*			
Basic	**2.04**	1.63	1.37
Diluted	**1.98**	1.59	1.31

See accompanying notes

Stantec Inc.
Consolidated Statements of Cash Flows

	Years Ended December 31		
	2005	**2004**	**2003**
	$	**$**	**$**
	(In thousands of Canadian dollars)		
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash receipts from clients	**637,391**	568,897	465,114
Cash paid to suppliers	**(200,445)**	(169,573)	(156,460)
Cash paid to employees	**(355,621)**	(313,321)	(274,444)
Dividends from equity investments	**550**	300	–
Interest received	**6,531**	6,426	2,710
Interest paid	**(6,551)**	(8,639)	(4,462)
Income taxes paid	**(28,882)**	(10,530)	(18,142)
Income taxes recovered	**4,341**	3,791	2,577
Cash flows from operating activities *[note 16]*	**57,314**	77,351	16,893
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Business acquisitions, including cash acquired and bank indebtedness assumed *[note 2]*	**(100,383)**	(18,845)	(6,046)
Cash of joint venture held for sale	**—**	—	(369)
Restricted cash used for acquisitions *[note 2]*	**9,000**	—	—
Increase in investments held for self-insured liabilities	**(7,295)**	(9,562)	—
Proceeds on disposition of investments	**522**	55	195
Collection of notes receivable from disposition of Technology and Design Build segments	**406**	1,014	—
Purchase of property and equipment	**(17,005)**	(17,488)	(28,713)
Proceeds on disposition of property and equipment	**155**	34,672	1,444
Cash flows used in investing activities	**(114,600)**	(10,154)	(33,489)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Repayment of long-term debt	**(46,875)**	(35,546)	(20,592)
Proceeds from long-term borrowings	**95,929**	13,960	—
Net change in bank indebtedness financing	**—**	(17,151)	17,151
Repurchase of shares for cancellation *[note 12]*	**(195)**	(720)	(1,392)
Share issue costs *[note 12]*	**(1,969)**	—	—
Proceeds from issue of share capital *[note 12]*	**961**	3,490	651
Cash flows from (used in) financing activities	**47,851**	(35,967)	(4,182)
Foreign exchange loss on cash held in foreign currency	**(312)**	(683)	(1,081)
Net increase (decrease) in cash and cash equivalents	**(9,747)**	30,547	(21,859)
Cash and cash equivalents, beginning of the year	**37,890**	7,343	29,202
Cash and cash equivalents, end of the year	**28,143**	37,890	7,343

See accompanying notes

1. Summary of Significant Accounting Policies

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

Generally accepted accounting principles

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP). These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below. The effects of differences between the application of Canadian and United States GAAP on the financial statements of the Company are described in note 20.

Effective January 1, 2005, the Company adopted Accounting Guideline 15 (AcG-15)—"Consolidation of Variable Interest Entities" (VIEs) of the Canadian Institute of Chartered Accountants (CICA) Handbook. VIEs are those entities that are subject to control on a basis other than ownership of voting interests. AcG-15 provides guidance for identifying VIEs and requires the primary beneficiary of a VIE to consolidate the VIE. These consolidated financial statements include all VIEs for which the Company is the primary beneficiary. The initial adoption of this accounting guideline on a prospective basis did not have an impact on the Company's consolidated financial statements.

Effective January 1, 2004, the Company adopted the recommendations of Section 1100 of the CICA Handbook, "Generally Accepted Accounting Principles." This section establishes standards for financial reporting in accordance with GAAP. It describes what constitutes GAAP and its sources and states that an entity should apply every primary source of GAAP that deals with the accounting and reporting in financial statements of transactions or events it encounters. The initial adoption of these recommendations on a prospective basis on January 1, 2004, did not have an impact on the Company's consolidated financial statements.

Use of estimates

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

During the 2005 fiscal year, management revised its estimate of the allowance for doubtful accounts based on improved information available on historical loss experience. This revision was applied prospectively and reduced the allowance for doubtful accounts and administrative and marketing expenses at the time of the revision by $4,000,000.

Principles of consolidation

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

Joint ventures and partnerships are accounted for on the proportionate consolidation basis, which results in the Company recording its pro rata share of the assets, liabilities, revenues, and expenses of each of these entities.

Cash and cash equivalents

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

Investments

Investments in associated companies over which the Company is able to exercise significant influence, but not control, are accounted for using the equity method, which reflects the Company's investment at original cost plus its share of earnings (losses) net of dividends received. These investments include Teshmont Consultants Inc. (50%), SSBV Consultants Inc. (33.3%), and Planning & Stantec Limited (50%).

Other investments, including investments held for self-insured liabilities, are recorded at cost. When a loss in the value of such investments occurs that is other than temporary, the investment is written down to recognize the loss.

Property and equipment

Property and equipment is recorded at cost less accumulated depreciation. Depreciation is calculated at annual rates designed to write off the costs of assets over their estimated useful lives as follows:

Engineering equipment	20–30%	declining balance
Business information systems		straight-line over 3–5 years
Office equipment	20–30%	declining balance
Automotive equipment	30%	declining balance
Leasehold improvements		straight-line over term of lease plus one renewal period to a maximum of 15 years or the improvement's economic life
Buildings	4–5%	declining balance

Leases

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

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.

Goodwill and intangible assets

The cost of intangible assets with finite lives is amortized over the period in which the benefits of such assets are expected to be realized, principally on a straight-line basis. The Company's policy is to amortize client relationships with determinable lives over periods ranging from 10 to 15 years. Contract backlog is amortized over estimated contractual lives of generally less than one and a half years. Other intangible assets include technology, non-compete agreements, and advantageous leasehold commitments, which are amortized over estimated lives of one to five years. Goodwill is not amortized but is evaluated annually for impairment by comparing the fair value of the reporting unit, determined on a discounted after-tax cash flow basis, to the carrying value. An impairment loss would be recognized if the carrying value of the goodwill were to exceed its fair value.

Long-lived assets

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

Accrual and investments held for self-insured liabilities

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

The Company invests funds to support the accrual for self-insured liabilities. These investments are classified in other assets as investments held for self-insured liabilities.

Forward contracts

The Company may enter into forward currency exchange contracts to manage risk associated with net operating assets denominated in US dollars. The Company's policy is to not utilize derivative financial instruments for trading or speculative purposes. 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 the changes occur. The fair value of such instruments is recorded as either accounts receivable or payable.

Non-interest-bearing debt

Non-interest-bearing debt is carried at its present value using discount rates based on the bank prime rate prevailing at the time the debt was issued. The discount is applied over the term of the debt and is charged to interest expense.

Fair value of financial instruments

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, bank loans, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments. The carrying amount of bank loans approximates its fair value because the applicable interest rate is based on variable reference rates. The carrying values of other financial assets and financial liabilities approximate their fair values except as otherwise disclosed in the financial statements.

Credit risk

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

Interest rate risk

The Company is subject to interest rate risk to the extent that its credit facilities are based on floating rates of interest. In addition, the Company is subject to interest rate pricing risk to the extent that its investments held for self-insured liabilities contain fixed rate government and corporate bonds. The Company has not entered into any derivative agreements to mitigate these risks.

Revenue recognition

In the course of providing its services, the Company incurs certain direct costs for subconsultants and other expenditures that are recoverable directly from clients. These direct costs are included in the Company's gross revenue. Since such direct costs can vary significantly from contract to contract, changes in gross revenue may not be indicative of the Company's revenue trends. Accordingly, the Company also reports net revenue, which is gross revenue less subconsultant and other direct expenses.

Revenue from fixed fee and variable fee with ceiling contracts is recognized using the percentage of completion method. Contract revenue is recognized on the ratio of contract costs incurred to total estimated costs. Provisions for estimated losses on incomplete contracts are made in the period in which the losses are determined. Revenue from time and material contracts without stated ceilings and from short-term projects is recognized as costs are incurred. Revenue is calculated based on billing rates for the services performed. Costs and estimated earnings in excess of billings represents work in progress that has been recognized as revenue but not yet invoiced to clients. Billings in excess of costs and estimated earnings represents amounts that have been invoiced to clients but not yet recognized as revenue.

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 such defined contributions as an expense in the period in which the contributions are made. The expense recorded in 2005 was $8,436,000 (2004 – $7,311,000; 2003 – $5,980,000). 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 gains or losses are included in income in the year incurred.

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 year. The resulting exchange gains and losses are deferred and included as a separate component of shareholders' equity in the cumulative translation account.

Stock-based compensation and other stock-based payments

The Company has one share option plan, which is described in note 12, and accounts for grants under this plan in accordance with the fair value-based method of accounting for stock-based compensation. Compensation expense for stock options awarded under the plan is measured at the fair value at the grant date using the Black-Scholes valuation model and is recognized over the vesting period of the options granted. In years prior to January 1, 2002, the Company recognized no compensation expense when shares or stock options were issued.

Investment tax credits

Investment tax credits arising from qualifying scientific research and experimental development efforts are recorded as a reduction of the applicable administrative and marketing expenses when there is reasonable assurance of their ultimate realization. Investment tax credits of $1,239,000 (2004 – $426,000; 2003 – $237,000) were recorded and reduced administrative and marketing expenses in 2005.

Income taxes

The Company uses the liability method to account for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and the tax bases of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when these differences are expected to reverse.

Earnings per share

Basic earnings per share is computed based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed using the treasury stock method, which assumes that the cash that would be received on the exercise of options is applied to purchase shares at the average price during the year and that the difference between the shares issued on the exercise of options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding. The impact of outstanding restricted shares, on a weighted average basis, is also added to the number of shares outstanding. Antidilutive options are not considered in computing diluted earnings per share.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on its accounts receivable. The Company uses estimates in arriving at its allowance for doubtful accounts that are based, primarily, on the age of the outstanding accounts receivable and on its historical collection and loss experience.

Recent accounting pronouncements

In January 2005, the CICA released the new handbook Section 1530, "Comprehensive Income," and Section 3251, "Equity," effective for annual and interim periods beginning on or after October 1, 2006. These pronouncements further aligned Canadian GAAP with US GAAP (note 20). Section 1530 establishes standards for the reporting and display of comprehensive income. Comprehensive income is defined to include revenues, expenses, gains, and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income but excluded from net income. Section 1530 does not address issues

of recognition or measurement for comprehensive income and its components. Section 3251, “Equity,” establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements set out in Section 3251 are in addition to those established in Section 1530 and require that an enterprise present separately the components of equity: retained earnings, accumulated other comprehensive income, the total for retained earnings and accumulated other comprehensive income, contributed surplus, share capital, and reserves. Upon initial adoption of these recommendations in fiscal 2007, unrealized losses on the translation of self-sustaining foreign operations will be included in comprehensive income. Currently, these unrealized losses are reflected in the Company’s cumulative translation account.

In January 2005, the CICA released the new handbook Section 3855, “Financial Instruments—Recognition and Measurement,” effective for annual and interim periods beginning on or after October 1, 2006. This pronouncement further aligned Canadian GAAP with US GAAP (note 20). The section provides standards for the classification of financial instruments and related interest, dividends, gains, and losses. It prescribes when a financial instrument should be stated at fair value and when it would be valued using cost-based measures. Financial instruments are defined to include accounts receivable and payable, loans, investments in debt and equity securities, and derivative contracts. Upon initial adoption of these recommendations in fiscal 2007, the Company’s investments held for self-insured liabilities will be reflected as investments held for sale, and the resulting unrealized gains or losses will be reflected through other comprehensive income until realized, at which time the gains or losses will be recognized in net income. This new standard is not expected to have a material effect on the results of the Company’s 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 value of the acquired assets and liabilities. Upon finalization, adjustments to the initial estimates may be required, and these adjustments may be material. The purchase prices of acquisitions are generally subject to price adjustment clauses included in the purchase agreements. Such purchase price adjustments generally result in an increase or reduction to the promissory note consideration recorded at acquisition to reflect either more or less non-cash working capital realized than was originally expected. These purchase price adjustments, therefore, have no net effect on the original purchase price allocations. In the case of some acquisitions, additional consideration may be payable based on future performance parameters. As at December 31, 2005, the maximum contingent consideration that may be payable in 2006 and future years is approximately $9,000. This additional consideration is recorded as additional goodwill in the period in which the contingency is resolved.

Acquisitions in fiscal 2005

On August 3, 2005, the Company acquired the shares and business of CPV Group Architects & Engineers Ltd. for cash consideration. This acquisition strengthens the Company’s architecture and interior design presence in Canada.

On September 15, 2005, the Company acquired the shares and business of The Keith Companies, Inc. (Keith) for a combination of cash consideration and Stantec common shares. Under the terms of the

agreement, the number of common shares issued (3,328,776) as consideration was based on the average sale price of the Stantec common stock on the Toronto Stock Exchange for each of the 20 trading days ending on the second trading day prior to the closing of the merger, converted to US dollars for each trading day at the noon buying rate quoted by the Federal Reserve Bank of New York on such trading day. In order for the Keith transaction to qualify as a reorganization under the provisions of Section 368(a) of the U.S. Internal Revenue Code of 1986, a portion of Keith's cash, at the time of acquisition, is subject to restrictions on its use. Generally, the restricted cash can be used to fund further acquisitions as well as future capital expenditures. The acquisition of Keith supplements the Company's urban land development services group and increases the breadth and depth of the Company's multidiscipline engineering and consulting services by adding employees and offices throughout the western and midwestern United States.

On October 1, 2005, the Company acquired the shares and business of Keen Engineering Co. Ltd. for cash consideration and promissory notes. This acquisition supplements the Company's building design services in Canada and the western United States.

The purchase price allocations for the CPV Group Architects & Engineers Ltd., Keith, and Keen Engineering Co. Ltd. acquisitions have not yet been finalized. The Company expects to finalize the purchase price allocations for the CPV Group Architects & Engineers Ltd. and Keith acquisitions during the first quarter of 2006 and for the Keen Engineering Co. Ltd. acquisition during the second quarter of 2006.

During 2005, the Company paid additional contingent consideration in connection with the Cosburn Patterson Mather Limited (2002) acquisition and finalized the purchase price allocations for The Sear-Brown Group, Inc. (2004), GBR Architects Limited (2004), and Dunlop Architects Inc. (2004) acquisitions. In addition, the Company adjusted the purchase price on the Ecological Services Group Inc. (2003), GBR Architects Limited (2004), and Dunlop Architects Inc. (2004) acquisitions pursuant to price adjustment clauses included in the purchase agreements.

Acquisitions in fiscal 2004

During 2004, the Company acquired the shares and business of The Sear-Brown Group, Inc. (April 2, 2004), GBR Architects Limited (May 31, 2004), and Dunlop Architects Inc. (October 8, 2004) and the assets and business of Shaflik Engineering (November 26, 2004). The Sear-Brown Group, Inc. acquisition opened up a new geographic market for the Company in the northeastern United States and a new service in the bio/pharmaceuticals industry. The acquisition of GBR Architects Limited and of Dunlop Architects Inc. supplemented the Company's architecture and interior design practice while increasing its presence in Winnipeg and the Greater Toronto Area, respectively. The Shaflik Engineering acquisition strengthened the Company's capabilities for upcoming Olympic projects in British Columbia with its strong involvement in sports facilities and transportation systems.

During 2004, the Company also adjusted the purchase price in connection with the Cosburn Patterson Mather Limited (2002), The Spink Corporation (2001), the APAI Architecture Inc. and Mandalian Enterprises Limited (2003), the Graeme & Murray Consultants Ltd. (2002), the Ecological Services Group Inc. (2003), and The RPA Group (2002) acquisitions pursuant to price adjustment clauses included in the purchase agreements.

Aggregate consideration paid

Details of the aggregate consideration given and of the fair values of net assets acquired or adjusted for are as follows:

	Keith 2005 $000s	Other 2005 $000s	Total 2005 $000s	Total 2004 $000s
Cash consideration	**107,062**	**11,200**	**118,262**	12,432
Share consideration	**125,540**	**—**	**125,540**	—
Promissory notes	**—**	**2,753**	**2,753**	1,487
Purchase price	**232,602**	**13,953**	**246,555**	13,919
Assets and liabilities acquired at fair values				
Cash acquired (bank indebtedness assumed)	**22,075**	**(4,196)**	**17,879**	(6,413)
Restricted cash acquired	**30,882**	**—**	**30,882**	—
Non-cash working capital	**9,747**	**3,929**	**13,676**	6,057
Property and equipment	**5,751**	**991**	**6,742**	3,211
Investments	**32**	**—**	**32**	87
Goodwill	**149,844**	**12,218**	**162,062**	18,425
Other long-term assets	**554**	**—**	**554**	—
Intangible assets				
Client relationships	**17,476**	**947**	**18,423**	1,357
Contract backlog	**3,995**	**1,053**	**5,048**	301
Other	**669**	**(139)**	**530**	500
Other long-term liabilities	**(1,380)**	**243**	**(1,137)**	(1,642)
Long-term debt	**—**	**(745)**	**(745)**	(8,414)
Future income taxes	**(8,226)**	**(348)**	**(8,574)**	450
Deferred stock compensation	**1,183**	**—**	**1,183**	—
Net assets acquired	**232,602**	**13,953**	**246,555**	13,919

All of the goodwill is non-deductible for income tax purposes.

At the time of acquisition, management estimates the exit costs to downsize or close offices occupied by the acquired entity. These costs are accrued in other long-term liabilities as part of the purchase price allocation (note 9).

Pro forma data

The following unaudited pro forma data presents information as if the acquisitions of The Sear-Brown Group, Inc., GBR Architects Limited, Dunlop Architects Inc., Shaflik Engineering Ltd., CPV Group Architects & Engineers Ltd., Keith, and Keen Engineering Co. Ltd. had occurred on January 1, 2004. This unaudited pro forma data is provided for information purposes only and is based on historical information. This unaudited pro forma data does not necessarily reflect the actual results of operations that would have occurred had these acquired entities and Stantec Inc. comprised a single entity during the periods, nor is it necessarily indicative of the future results of the operations of the combined entities.

	2005 $000s	2004 $000s
	(Unaudited)	
Pro forma gross revenue	**753,291**	726,827
Pro forma net revenue	**646,614**	628,844
Pro forma net income	**49,098**	39,563
Basic pro forma earnings per share	**2.20**	1.81
Diluted pro forma earnings per share	**2.15**	1.77

3. Property and Equipment

	2005		2004	
	Cost $000s	Accumulated Depreciation $000s	Cost $000s	Accumulated Depreciation $000s
Engineering equipment	**42,560**	**22,736**	33,622	19,058
Business information systems	**11,475**	**4,237**	9,681	1,796
Office equipment	**23,030**	**10,071**	19,953	7,519
Automotive equipment	**5,263**	**2,867**	4,254	2,578
Leasehold improvements	**14,226**	**2,053**	11,994	2,031
Buildings	**4,204**	**704**	1,901	594
Land	**429**	**—**	433	—
	101,187	**42,668**	81,838	33,576
Net book value	**58,519**		48,262	

In 2004 the Company completed the sale of its Edmonton office building (included in buildings and land) for cash proceeds of $34,500,000. Concurrent with the sale, the Company leased the property back for a period of 15 years. The lease is accounted for as an operating lease. The resulting gain of $7,103,000 was deferred and is being amortized over the lease term (note 9).

Included in leasehold improvements is construction work in progress in the amount of $337,000 (2004 – buildings – $89,000) on which depreciation has not started.

4. Goodwill

	2005 $000s	2004 $000s
Goodwill, beginning of the year	**84,694**	69,696
Current year acquisitions	**160,840**	18,006
Additional purchase price payments	**700**	—
Other purchase price adjustments	**522**	419
Impact of foreign exchange	**(4,082)**	(3,427)
Goodwill, end of the year	**242,674**	84,694

5. Intangible Assets

	2005		2004	
	Gross Carrying Amount $000s	Accumulated Amortization $000s	Gross Carrying Amount $000s	Accumulated Amortization $000s
Client relationships	**24,914**	**2,232**	6,859	1,195
Contract backlog	**4,900**	**1,219**	339	290
Other	**1,218**	**277**	750	185
	31,032	**3,728**	7,948	1,670
Carrying amount	**27,304**		6,278	

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 recognized any intangible assets with indefinite lives. For intangible assets held as of December 31, 2005, the estimated aggregate amortization expense for each of the next five years is as follows:

	$000s
2006	5,762
2007	3,154
2008	2,609
2009	2,541
2010	2,403
Thereafter	10,835
	27,304

6. Other Assets

	2005 $000s	2004 $000s
Investments held for self-insured liabilities	**16,857**	9,562
Investments in associated companies	**1,545**	1,909
Investments – other	**710**	1,114
Other	**554**	—
	19,666	12,585
Less current portion of investments held for self-insured liabilities	**6,569**	4,831
	13,097	7,754

The investments held for self-insured liabilities consist of government and corporate bonds of $14,013,000 (2004 – $8,740,000) and equity securities of $2,844,000 (2004 – $822,000). The bonds bear interest at rates ranging from 3.0 to 6.8% per annum (2004 – 3.5 to 8.6%). The estimated fair value of the bonds at December 31, 2005, was $13,721,000 (2004 – $8,761,000) and of the equities was $3,406,000 (2004 – $839,000). The term to maturity of the bond portfolio is $373,000 due within one year and $13,640,000 due from one to 10 years.

7. Accounts Payable and Accrued Liabilities

	2005 $000s	2004 $000s
Trade accounts payable	**26,784**	21,651
Employee and payroll liabilities	**52,314**	37,188
Accrued liabilities	**27,659**	19,879
	106,757	78,718

8. Long-Term Debt

	2005 $000s	2004 $000s
Non-interest-bearing note payable	**122**	111
Other non-interest-bearing notes payable	**5,643**	7,862
Bank loan	**79,035**	23,997
Mortgages payable	**1,706**	1,765
Other	**193**	240
	86,699	33,975
Less current portion	**4,813**	12,820
	81,886	21,155

The non-interest-bearing note payable is due November 1, 2027, in the amount of $933,000. The note's carrying value of $122,000 is determined using a discount rate of 9.75%. If the non-interest-bearing note payable were discounted at interest rates in effect at December 31, 2005, the fair value of the note would be $184,000 (2004 – $177,000).

The carrying values of the other non-interest-bearing notes payable have been calculated using a weighted average rate of interest of 5.58% and are supported by promissory notes. The notes are due at various times from 2006 to 2008. The aggregate maturity value of the notes is $5,985,000 (2004 – $8,336,000). As at December 31, 2005, there were no US-dollar non-interest-bearing notes outstanding. As at December 31, 2004, $47,000 of the notes'carrying value was payable in US funds (US$39,000). The carrying value of the other non-interest-bearing notes payable approximates their fair value based on interest rates in effect at December 31, 2005.

During 2005, the Company replaced its existing revolving credit facility with a revolving credit facility in the amount of $160 million due on August 31, 2008. This facility is available for acquisitions, working capital needs, capital expenditures, and general corporate purposes. At December 31, 2005, the facility was accessed to finance a portion of the Keith acquisition. Depending on the form under which the credit facility is accessed, rates of interest will vary between Canadian prime, US base rate, or LIBOR rate or bankers acceptance rates plus 65 or 85 basis points. As at December 31, 2005, $29,075,000 of the bank loan was payable in US funds (US$25,000,000). Repayment of loans under the credit facility may be made from time to time at the option of the Company. The average interest rate applicable at December 31, 2005, was 4.34% (2004 – 3.47%). The credit facility agreement contains restrictive covenants, including, but not limited to, debt to earnings ratio and earnings to debt service ratio. The Company was in compliance with all covenants under this agreement as at December 31, 2005. All assets of the Company are held as collateral under a general security agreement for the bank loan.

The mortgages payable bear interest at a weighted average rate of 7.67% and are supported by first mortgages against land and buildings. Subsequent to the year-end, the mortgages payable were paid out in full.

Other long-term debt bears interest at a weighted average rate of 3.5% and is due at dates ranging from 2006 to 2007. No assets are pledged in support of this debt.

Principal repayments required on long-term debt in each of the next five years and thereafter are as follows:

	$000s
2006	4,813
2007	1,661
2008	80,103
2009	—
2010	—
Thereafter	122
	86,699

The interest incurred on long-term debt in 2005 was $2,000,000 (2004 – $2,219,000; 2003 – $2,681,000). In 2005 total interest expense, net of interest income, was $571,000 (2004 – $2,805,000; 2003 –$2,637,000). At December 31, 2005, the Company had issued and outstanding letters of credit totaling $1,070,000.

9. Other Liabilities

	2005 $000s	2004 $000s
Provision for self-insured liabilities	**12,866**	5,236
Deferred gain on sale leaseback	**6,624**	7,073
Lease inducement benefits	**7,997**	4,742
Liabilities on lease exit activities	**2,251**	2,817
Other	**1,021**	—
	30,759	19,868
Less current portion included in accrued liabilities	**5,995**	3,050
	24,764	16,818

Provision for self-insured liabilities

Effective August 1, 2003, the Company began self-insuring a portion of its estimated liabilities that may arise in connection with reported legal claims (note 11). This provision is based on the results of an actuarial review performed in 2005 and 2004, with the current and long-term portion determined based on the actuarial estimate provided. At December 31, 2005, the long-term portion was $10,288,000 (2004 –$4,731,000).

	2005 $000s	2004 $000s
Provision, beginning of the year	**5,236**	2,410
Current year provision	**9,764**	2,826
Payment for claims settlement	**(2,134)**	—
Provision, end of the year	**12,866**	5,236

The self-insured liability increased during 2005, primarily due to new claims incurred and reported since the end of 2004. Claim settlements of $2,134,000 were made in 2005. The timing of such settlement payments is dependent upon the resolution of case-specific matters and may extend over several months or years.

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.

	2005 $000s	2004 $000s
Liability, beginning of the year	**2,817**	—
Current year provision:		
Established for existing operations	**609**	936
Resulting from acquisitions	**276**	3,465
Payment or reductions:		
Impacting net income	**(1,103)**	(1,375)
Impacting the purchase price allocation	**(325)**	—
Impact of foreign exchange	**(23)**	(209)
Liability, end of the year	**2,251**	2,817

10. Commitments

Commitments for annual basic premises rent under long-term leases and for equipment and vehicle operating leases for the next five years are as follows:

	$000s
2006	34,794
2007	31,248
2008	25,240
2009	21,936
2010	18,910
Thereafter	79,585
	211,713

The premise rental expense for the year ended December 31, 2005, was $29,282,000 (2004 – $25,116,000; 2003 – $19,321,000).

11. Contingencies

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

12. Share Capital

Authorized

Unlimited	Common shares, with no par value
Unlimited	Preferred shares issuable in series with attributes designated by the Board of Directors

Common shares issued and outstanding

	Capital Stock						Contributed Surplus		
	2005		2004		2003		2005	2004	2003
	Shares #	$000s	Shares #	$000s	Shares #	$000s	$000s	$000s	$000s
Balance, beginning of the year	**18,871,085**	**87,656**	18,327,284	84,281	18,282,720	83,973	**2,544**	1,842	1,247
Share options exercised for cash	**120,070**	**961**	573,101	3,490	119,264	651			
Stock-based compensation expense							**963**	725	600
Shares repurchased under normal course issuer bid	**(6,800)**	**(33)**	(29,300)	(134)	(74,700)	(343)	**(1)**	(4)	(5)
Reclassification of fair value of stock options previously expensed		**159**		19		—	**(159)**	(19)	—
Shares issued on acquisition	**3,328,776**	**123,365**	—	—	—	—			
Restricted shares issued on acquisition							**2,175**	—	—
Share issue costs		**(1,504)**		—		—			
Balance, end of the year	**22,313,131**	**210,604**	18,871,085	87,656	18,327,284	84,281	**5,522**	2,544	1,842

During 2005, 6,800 common shares (2004 – 29,300; 2003 – 74,700) were repurchased for cancellation pursuant to an ongoing Normal Course Issuer Bid at a cost of $195,000 (2004 – $720,000; 2003 –

$1,392,000). Of this amount, $33,000 and $1,000 (2004 – $134,000 and $4,000; 2003 – $343,000 and $5,000) reduced the share capital and contributed surplus accounts, respectively, with $161,000 (2004 –$582,000; 2003 – $1,044,000) being charged to retained earnings.

During 2005, the Company incurred share issue costs of $1,969,000 less a future tax recovery of $465,000.

During 2005, the Company recognized a stock-based compensation expense of $1,814,000 (2004 –$1,014,000; 2003 – $706,000) in administrative and marketing expenses. Of the amount expensed, $963,000 related to the fair value of the options granted (2004 – $725,000; 2003 – $600,000); $519,000 related to deferred share unit compensation (2004 – $289,000; 2003 – $106,000), and $332,000 related to the restricted shares issued on the Keith acquisition. The fair value of the 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.

Share options

Under the Company's share option plan, options to purchase common shares may be granted by the Board of Directors to directors, 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 five 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 996,003 common shares. At December 31, 2005, 57,739 options were available for issue.

The Company has granted share options to directors, officers, and employees to purchase 938,264 shares at prices between $3.50 and $27.10 per share. These options expire on dates between March 14, 2006, and January 2, 2013.

	2005		2004		2003	
	Shares #	Weighted Average Exercise Price $	Shares #	Weighted Average Exercise Price $	Shares #	Weighted Average Exercise Price $
Share options, beginning of the year	**1,071,333**	**13.34**	1,479,100	9.28	1,296,200	6.09
Granted	**—**	**—**	167,000	24.50	307,500	21.29
Exercised	**(120,070)**	**8.00**	(573,101)	6.09	(119,264)	5.46
Cancelled	**(12,999)**	**23.69**	(1,666)	18.40	(5,336)	12.62
Share options, end of the year	**938,264**	**13.88**	1,071,333	13.34	1,479,100	9.28

The Company had issued options to directors, officers, and employees at December 31, 2005, 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 Exercise Price $
3.50 – 3.60	**347,500**	**0.8**	**3.56**	**347,500**	**3.56**
5.20 – 7.00	**40,550**	**0.8**	**6.05**	**40,550**	**6.05**
14.50 – 18.85	**159,400**	**4.1**	**15.62**	**159,400**	**15.62**
21.00 – 27.10	**390,814**	**5.8**	**23.17**	**148,654**	**22.22**
3.50 – 27.10	**938,264**	**3.4**	**13.88**	**696,104**	**10.45**

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 stock price volatility. Because the Company's employee stock options have characteristics that are significantly different from those of traded options, and because changes in subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not necessarily provide a reliable single measure of the fair value of the Company's employee stock options.

The estimated fair value of options granted both at the share market price on the grant date and in excess of the share market price on the grant date was determined using the weighted average assumptions indicated below. No options were granted in 2005.

	2004	2003	
	Granted at Market	Granted at Market	Granted in Excess of Market
Risk-free interest rate (%)	4.07	4.48	5.04
Expected hold period to exercise (years)	6.0	6.2	9.1
Volatility in the price of the Company's shares (%)	26.1	27.4	28.5
Weighted average fair value per option ($)	8.46	7.40	6.04

13. Cumulative Translation Account

The foreign currency cumulative translation account represents the unrealized gain or loss on the Company's net investment in self-sustaining US-based operations. The change in the cumulative translation account 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 1.1630 (2004 – 1.2020; 2003 – 1.2965).

	2005 $000s	2004 $000s	2003 $000s
Cumulative translation account, beginning of the year	**(19,018)**	(13,861)	1,966
Current year deferred translation adjustment	**(6,557)**	(5,157)	(15,827)
Cumulative translation account, end of the year	**(25,575)**	(19,018)	(13,861)

14. Income Taxes

The effective income tax rate in the consolidated statements of income differs from statutory Canadian tax rates as a result of the following:

	2005 %	2004 %	2003 %
Income tax expense at statutory Canadian rates	**34.8**	34.7	36.8
Increase (decrease) resulting from:			
Income from associated companies	**(0.1)**	(0.3)	(0.6)
Rate differential on foreign income	**0.7**	(2.0)	0.6
Non-deductible expenses:			
Meals and entertainment	**1.1**	1.4	1.4
Stock compensation	**0.5**	0.6	0.6
Non-taxable foreign income net of non-creditable withholding taxes	**(1.6)**	(1.3)	(1.6)
Other	**(0.4)**	(0.7)	(0.5)
	35.0	32.4	36.7

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:

	2005 $000s	2004 $000s	2003 $000s
Domestic	**61,323**	48,111	36,583
Foreign	**1,177**	(3,451)	3,045
Total income before income taxes	**62,500**	44,660	39,628

Details of the income tax expense (recovery) are as follows:

	2005 $000s	2004 $000s	2003 $000s
Current: Domestic	**21,172**	17,724	9,474
Foreign	**563**	341	576
Total current expense	**21,735**	18,065	10,050
Future: Domestic	**5**	(566)	3,532
Foreign	**138**	(3,029)	976
Total future expense	**143**	(3,595)	4,508
Total: Domestic	**21,177**	17,158	13,006
Foreign	**701**	(2,688)	1,552
Total income tax expense	**21,878**	14,470	14,558

Significant components of the Company's future income tax assets and liabilities are as follows:

	2005 $000s	2004 $000s
Future income tax assets		
Differences in timing of deductibility of expenses	**13,470**	9,434
Loss carryforwards	**4,670**	2,316
Share issue and other financing costs	**519**	237
Tax cost of property and equipment in excess of carrying value	**357**	684
Deferred gain on sale of building	**1,513**	1,518
Other	**1,112**	700
	21,641	14,889
Less current portion	**14,827**	8,532
	6,814	6,357

	2005 $000s	2004 $000s
Future income tax liabilities		
Cash to accrual adjustments on acquisitions of US subsidiaries	**—**	2,091
Differences in timing of taxability of revenues	**15,287**	7,702
Carrying value of property and equipment in excess of tax cost	**7,304**	5,025
Carrying value of intangible assets in excess of tax cost	**10,625**	2,016
Other	**598**	2,135
	33,814	18,969
Less current portion	**17,552**	10,653
	16,262	8,316

At December 31, 2005, loss carryforwards of approximately $3,374,000 are available to reduce the taxable income of certain Canadian subsidiaries. These losses expire as set out below:

	$000s
2007	194
2008	1,454
2009	66
2010	978
2014	664
2015	18
	3,374

In addition, the Company has loss carryforwards of approximately $10,625,000 available to reduce the taxable income of certain US subsidiaries that expire at varying times over the next 20 years.

The potential income tax benefits that will result from the application of Canadian and US tax losses have been recognized in these financial statements.

15. Earnings Per Share

The number of basic and diluted common shares outstanding, as calculated on a weighted average basis, is as follows:

	2005 #	2004 #	2003 #
Basic shares outstanding	**19,920,117**	18,499,598	18,329,960
Share options (dilutive effect of 938,264 options; 2004 – 1,041,333; 2003 – 1,419,100)	**533,792**	507,691	788,056
Restricted shares (dilutive effect of 58,696 restricted shares)	**17,207**	—	—
Diluted shares outstanding	**20,471,116**	19,007,289	19,118,016

16. Cash Flows From (Used In) Operating Activities

Cash flows from operating activities determined by the indirect method are as follows:

	2005 $000s	2004 $000s	2003 $000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year	**40,622**	30,190	25,070
Add (deduct) items not affecting cash:			
Depreciation of property and equipment	**12,389**	11,986	9,912
Amortization of intangible assets	**2,542**	927	925
Future income tax	**143**	(3,595)	4,508
Loss (gain) on dispositions of investments and property and equipment	**562**	(504)	57
Stock-based compensation expense	**1,814**	894	706
Provision for self-insured liability	**9,764**	2,826	—
Other non-cash items	**(1,332)**	(1,065)	—
Share of income from equity investments	**(187)**	(385)	(580)
Dividends from equity investments	**550**	300	—
	66,867	41,574	40,598
Change in non-cash working capital accounts:			
Accounts receivable	**15,748**	(1,542)	(1,252)
Costs and estimated earnings in excess of billings	**(19,572)**	30,218	(35,239)
Prepaid expenses	**487**	496	113
Accounts payable and accrued liabilities	**(2,697)**	(6,350)	13,944
Billings in excess of costs and estimated earnings	**1,664**	1,600	4,951
Income taxes payable/recoverable	**(5,183)**	11,355	(6,222)
	(9,553)	35,777	(23,705)
Cash flows from operating activities	**57,314**	77,351	16,893

17. Joint Ventures

The Company participates in joint ventures with other parties as follows:

	Percentage Owned		
	2005 %	**2004 %**	**2003 %**
yyC.T. Joint Venture	**20**	20	20
Stantec — S&L Partnership	**50**	50	50
Colt Stantec Joint Venture	n/a	50	50
Edmonton International Airports Joint Venture	**33**	33	33
Pine Creek Consultants Joint Venture	**33**	33	33
Dunlop Joint Ventures	**33–80**	33–80	n/a
Stantec Architecture Ltd./J.L. Richards & Associates Joint Venture	**50**	n/a	n/a

As part of the acquisition of Dunlop Architects Inc. (Dunlop), the Company acquired the interests of 13 joint ventures entered into by Dunlop. The interest held in these joint ventures ranges from 33 to 80%, and each is project specific.

A summary of the assets, liabilities, revenues, expenses, and cash flows included in the consolidated financial statements related to joint ventures is as follows:

	2005 $000s	**2004 $000s**	**2003 $000s**
Statement of income			
Gross revenue	**5,941**	1,186	11,949
Subconsultant and other direct expenses	**5,072**	894	9,611
Administrative and marketing expenses	**147**	217	776
Net income for the year	**722**	75	1,562
Balance sheets			
Current assets	**3,743**	3,445	1,547
Current liabilities	**2,842**	2,822	1,583
Statement of cash flows			
Cash flows used in operating activities	**(488)**	(274)	(86)

18. Segmented Information

The Company provides comprehensive professional services in the area of infrastructure and facilities throughout North America and internationally. The Company considers the basis on which it is organized, including geographic areas and service offerings, in identifying its reportable segments. Operating segments of the Company are defined as components of the Company for which separate financial information is available that 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 (CEO) of the Company, and the Company's operating segments are based on its regional geographic areas.

During 2003, the Company had seven operating segments, of which five were aggregated into the Consulting Services reportable segment. The two remaining operating segments (Design Build and Technology), which were below the quantitative thresholds in the recommendations of the CICA, were disclosed in the Other reportable segment. In addition to the above-noted operating segments, corporate

administration groups reported to the CEO and were included in the Other reportable segment. In the second quarter of 2004, an additional operating segment was added upon the acquisition of The Sear-Brown Group, Inc. This new segment has been aggregated into the Consulting Services reportable segment.

The Design Build operating segment consisted of the operations of the Company's 50% share of Lockerbie Stanley Inc. that, at December 31, 2003, was reflected as assets held for sale pending the finalization of an agreement to sell the Company's interest. The sale was completed in 2004. In addition, during 2004, the Company sold the operations related to its Technology segment. Operations sold during the year have not been presented as discontinued operations, because the amounts are not material.

Effective 2004, because the operations that comprised the Company's Design Build and Technology segments were sold and because the Company's corporate administration groups are not material, all operations of the Company are included in one reportable segment as Consulting Services.

Geographic information

	Property and Equipment, Goodwill, Intangible Assets	
	2005 $000s	2004 $000s
Canada	**104,463**	86,731
United States	**223,593**	52,032
International	**441**	471
	328,497	139,234

Geographic information

	Gross Revenue		
	2005 $000s	2004 $000s	2003 $000s
Canada	**380,471**	325,844	290,413
United States	**233,428**	190,362	161,655
International	**4,121**	4,673	7,874
	618,020	520,879	459,942

Gross revenue is attributed to countries based on the location of work performed.

Practice area information

	Gross Revenue		
	2005 $000s	2004 $000s	2003 $000s
Consulting Services			
Environment	**104,437**	105,471	91,758
Buildings	**159,233**	107,465	89,943
Transportation	**92,146**	92,631	80,519
Urban Land	**208,903**	168,876	159,941
Industrial	**53,301**	45,371	33,304
	618,020	519,814	455,465
Other	**—**	1,065	4,477
	618,020	520,879	459,942

Customers

The Company has a large number of clients in various industries and sectors of the economy. Gross revenue is not concentrated in any particular client.

19. Forward Contracts

The Company had no forward contracts outstanding at December 31, 2005. As at December 31, 2004, the Company had entered into foreign currency forward contracts that provided for the sale of US$10.0 million at rates ranging from 1.2050 to 1.2386 per US dollar. The fair values of these contracts, estimated using market rates at December 31, 2004, were $229,000. During 2004, net unrealized gains of $229,000 relating to derivative financial instruments were recorded in foreign exchange (gains) losses.

20. United States Generally Accepted Accounting Principles

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with accounting principles generally accepted in Canada (Canadian GAAP) that, in most respects, conform to accounting principles generally accepted in the United States (US GAAP). 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 Securities and Exchange Commission, no disclosure of the effect of this difference is required.

a) Net income and comprehensive income

There are no identifiable material items that would result in a change in net income presented under Canadian and US GAAP.

The Company accounts for leases in accordance with Statement of Financial Accounting Standards No. 13, “Accounting for leases” (SFAS 13). SFAS 13 requires leasehold improvements in an operating lease to be amortized over the shorter of their economic lives or the lease term, as defined in SFAS 13. As a result, SFAS 13 requires the amortization period for leasehold improvements to be shorter than that applied by the Company under Canadian GAAP. The incremental amortization has been determined to be immaterial to the years presented.

Under US GAAP, the Company’s investments held for self-insured liabilities would be classified as investments available for sale and recorded at fair value (note 6). The difference between the recorded and fair value of these investments has been determined to be immaterial to the years presented.

Comprehensive income is measured in accordance with Statement of Financial Accounting Standards No. 130, “Reporting Comprehensive Income” (SFAS 130). This standard defines comprehensive income as all changes in equity other than those resulting from investments by owners and distributions to owners and includes adjustments arising on the translation of self-sustaining foreign operations. Canadian GAAP does not yet require similar disclosure.

Statement of Comprehensive Income

	2005 $000s	2004 $000s	2003 $000s
Net income under Canadian and US GAAP	**40,622**	30,190	25,070
Other comprehensive income, net of tax:			
Unrealized foreign exchange loss on translation of self-sustaining foreign operations	**(6,557)**	(5,157)	(15,827)
Comprehensive Income	**34,065**	25,033	9,243
Accumulated other comprehensive income, beginning of year	**(19,018)**	(13,861)	1,966
Unrealized foreign exchange loss on translation of self-sustaining foreign operations	**(6,557)**	(5,157)	(15,827)
Accumulated other comprehensive income, end of the year	**(25,575)**	(19,018)	(13,861)

b) Other disclosure requirements

i) Allowance for doubtful accounts

	2005 $000s	2004 $000s	2003 $000s
Balance, beginning of the year	**21,095**	16,952	17,316
Acquired balances	**7,298**	5,294	651
Provision for doubtful accounts	**73**	6,632	4,544
Deductions	**(12,164)**	(7,152)	(4,221)
Impact on foreign exchange	**(249)**	(631)	(1,338)
Balance, end of the year	**16,053**	21,095	16,952

ii) Long-term contracts

Included in accounts receivable are holdbacks on long-term contracts of $1,431,000 in 2005 and of $3,653,000 in 2004.

21. Comparative Figures

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

Exhibit 5

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Annual Report (Form 40-F) of Stantec Inc. of our audit report dated February 10, 2006, with respect to the consolidated financial statements of Stantec Inc., included in the 2005 Annual Report to Shareholders of Stantec Inc.

Edmonton, Canada
March 30, 2006.

/s/ Ernst & Young LLP
Chartered Accountants

ERNST & YOUNG

Exhibit 6

CERTIFICATION
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a), PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, ANTHONY P. FRANCESCHINI, certify that:

1. I have reviewed this annual report on Form 40-F of Stantec Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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

(c) 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: March 30, 2006

/s/ Anthony P. Franceschini
ANTHONY P. FRANCESCHINI, P. ENG
President & Chief Executive Officer

CERTIFICATION
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a), PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, DONALD W. WILSON, certify that:

1. I have reviewed this annual report on Form 40-F of Stantec Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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

(c) 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: March 30, 2006

/s/ Donald W. Wilson
DONALD W. WILSON, CA
Vice-President & Chief Financial Officer

Exhibit 7

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Stantec Inc. (the "Company") is filing its annual report on Form 40-F for the fiscal year ended December 31, 2005 (the "Report") with the United States Securities and Exchange Commission.

I, Donald W. Wilson, 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: March 30, 2006

/s/ Donald W. Wilson
DONALD W. WILSON, CA
Vice-President & Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Stantec Inc. (the "Company") is filing its annual report on Form 40-F for the fiscal year ended December 31, 2005 (the "Report") with the United States Securities and Exchange Commission.

I, Anthony P. Franceschini, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2006

/s/ Anthony P. Franceschini

ANTHONY P. FRANCESCHINI, P. ENG
President & Chief Executive Officer