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, 2006

Commission File Number: 001-32562

STANTEC INC.

(Exact name of Registrant as specified in its charter)

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

Canada
(Province or other jurisdiction of incorporation or organization)

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

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

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

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

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

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

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

None.
(Title of Class)

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

None.
(Title of Class)

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

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, 2006 – 45,257,451 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

The disclosure provided under “Controls and Procedures” on page M-45 of Exhibit 3, Management’s Discussion and Analysis, is incorporated by reference herein.

MANAGEMENT’S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The disclosure provided in Exhibit 4, Management Report, is incorporated by reference herein.

AUDITOR ATTESTATION

The disclosure provided in Exhibit 5, Independent Auditor’s Report on Internal Controls, is incorporated by reference herein.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The disclosure provided under “Controls and Procedures” on page M-45 of Exhibit 3, Management’s Discussion and Analysis, is incorporated by reference herein.

IDENTIFICATION OF THE AUDIT COMMITTEE

On December 31, 2006, Stantec’s audit committee was made up of the following three members: William (Bill) D. Grace (Chair), E. John (Jack) Finn and Robert R. Mesel. On February 21, 2007, Ivor M. Ruste was appointed a member of the audit committee.

AUDIT COMMITTEE FINANCIAL EXPERT

Stantec’s Board of Directors has determined that it has at least one audit committee financial expert serving on its audit committee. The Board of Directors has determined that each of William D. Grace and Ivor M. Ruste 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 28 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 28 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-25 of Exhibit 3, Management’s Discussion and Analysis, is incorporated by reference herein.

CONTRACTUAL OBLIGATIONS

The disclosure provided under “Contractual Obligations” on page M-25 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, 2007

EXHIBIT INDEX

Exhibit No.	Description
1.	Notice of Annual and Special Meeting of Shareholders, and Management Information Circular dated March 15, 2007
2.	Annual Information Form dated March 30, 2007
3.	Management's Discussion and Analysis for the year ended December 31, 2006 (pages M-3 through M-47 of the 2006 Annual Report)
4.	Management Report for the year ended December 31, 2006 (page F-1 of the 2006 Annual Report)
5.	Independent Auditor's Report on Internal Controls for the year ended December 31, 2006 (page F-3 of the 2006 Annual Report)
6.	2006 Audited Consolidated Financial Statements (pages F-1 through F-33 of the 2006 Annual Report)
7.	Consent of Ernst & Young LLP
8.	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
9.	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 3, 2007

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

March 15, 2007

Dear Fellow Shareholder:

It gives me great pleasure to share with you the *Stantec Inc. 2006 Annual Report* highlighting a year of record performance for our Company. In 2006, we focused on executing our strategic plan for the next phase of our evolution. Our ability to sustain consistent growth and profitability in a challenging business climate contributed to a 27% 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 3, 2007, 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 2006 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 3, 2007 at 11:00 AM (MDT) to:

1. receive Stantec's financial statements for the financial year ended December 31, 2006, 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 amendments to the Employee Share Option Plan:

   a) to allow the Board of Directors to make certain amendments to the Plan without shareholder approval; and

   b) to allow that in the event that the term of an option expires within or within three trading days following the end of a "blackout period" imposed by Stantec, the option shall expire on the date that is ten trading days following the end of the blackout period; all as described in the accompanying Management Information Circular.

   all as described in the accompanying Management Information Circular.

5. to vote on the resolution creating a Stantec Share Purchase Plan for US employees; 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 2006 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, 2007 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

Jeffrey S Lloyd

Edmonton, Alberta
March 15, 2007

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 1, 2007 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 3, 2007 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, 2007.

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 1, 2007. 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 resolutions indicated in this circular (the amendment of Stantec's Employee Share Option Plan and the resolution approving the US Employee Purchase Plan).**

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 19 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 2007 fiscal year.

Aggregate fees paid to Ernst & Young LLP, Stantec's external auditor, during the fiscal years ended December 31, 2006 and 2005 were as follows:

Category	Note	2006	2005
Audit Fees	1	$1,056,000	$ 754,000
Audit-Related Fees	2	—	24,000
Tax Fees	3	532,000	898,000
Total		$1,588,000	$1,676,000

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. Included is $500,000 related to the fee for the audit of internal controls.

2 - - Audit-Related Fees – assurance and related services provided by Ernst & Young LLP that are reasonably related to the performance of the audit or review of the financial statements and are not reported under "Audit Fees."

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

Unless you specify otherwise by proxy or by voting at the meeting, the management representatives designated in the form of proxy intend to vote FOR the reappointment of Ernst & Young LLP, Chartered Accountants as 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 to 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 (the "ESOP") to allow the Board of Directors' to make certain amendments to the Plan without shareholder approval and to allow that in the event that the term of an option expires within or within three trading days following the end of a "blackout period" imposed by Stantec, the option shall expire on the date that is ten trading days following the end of the blackout period.

Background

On June 6, 2006, the Toronto Stock Exchange (the "TSX") issued a staff notice that provides that effective June 30, 2007, issuers, such as Stantec, who have only general amendment provisions in their security based compensation arrangements will no longer be able to make any amendments to such plans or arrangements, even those of a "housekeeping" nature without shareholder approval.

As a result of the TSX staff notice, many listed issuers, including Stantec, are seeking shareholder approval to revise the amendment procedures in their security based compensation arrangements at their next annual general meeting, or in any event prior to June 30, 2007.

Board of Directors' Amendment Powers

Stantec's Board of Directors has approved a new section in the ESOP that details the amendments that Stantec, acting through its Board of Directors, may make without shareholder approval and those amendments that will require shareholder approval. The new amendment sections are sections 1.7(c) and 1.7(d).

Shareholder approval will be required for ESOP amendments that concern:

a) any amendment to the number of Stantec Common Shares issuable under the ESOP, including an increase in the fixed maximum number of Stantec Common Shares or a change from a fixed maximum number of Stantec Common Shares to a fixed maximum percentage;

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

c) an increase in the maximum number of Stantec Common Shares that may be issued to insiders within any one year period or that are issuable to insiders at any time;

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

e) any change to the definition of "Eligible Person" in the ESOP which would have the potential of broadening or increasing insider participation;

f) the addition of any form of financial assistance;

g) any amendment to a financial assistance provision which is more favourable to participants of the ESOP;

h) the addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the ESOP reserve;

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

j) any other amendments that may lead to significant or unreasonable dilution in Stantec's outstanding securities or may provide additional benefits to "Eligible Persons" in the ESOP, especially insiders, at the expense of Stantec and its existing shareholders.

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

a) amendments of a housekeeping nature;

b) a change to the vesting provisions of an option or the ESOP;

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

d) the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the ESOP reserve.

Extension of Expiry of Options During a Blackout

Stantec's trading policy provides that options may not be exercised during a trading blackout. Trading blackouts are imposed before release of annual or quarterly financial information, or at such other times as Stantec determines.

Most securities practitioners agree that exercising an option during a blackout breaches insider trading rules. Problems for optionees arise when issuers are subject to long or frequent blackouts and options expire during such a blackout. As a result, the Board of Directors proposes amendments to the ESOP that would automatically extend the expiry date of options expiring while a blackout period is in effect to 10 business days following the lifting of the blackout. The additional wording that permits the extension of options during a blackout period will be added to section 2.3 which currently provides that options may not be exercised more than 10 years after grant or a shorter period as provided when the options are granted and is as follows:

Notwithstanding the foregoing, in the event that the term of an Option expires within or within three day trading days following the end of a "blackout period" (as such term is contemplated in the Corporation's insider trading policy, as may be amended from time to time) imposed by the Corporation, which for greater certainty does not include a cease trade order imposed by any securities regulatory authority, the Option shall expire on the date (the "Blackout Expiration Date") that is ten trading days following the end of the blackout period. The Blackout Expiration Date shall not be subject to the discretion of the Board.

Current 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 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..

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, 2007	4,514,126	1,388,724	503,170	2,622,232
Percentage of Common Shares outstanding as of March 15, 2007	9.91%	3.05%	1.10%	5.76%

Resolution and Recommendation

The Board of Directors recommends that shareholders vote FOR the proposed changes so that certain amendments can be made to the Plan without shareholder approval and to allow that in the event that the term of an option expires within or within three trading days following the end of a "blackout period" imposed by Stantec, the option shall expire on the date that is ten trading days following the end of the blackout period.

The resolutions attached as Schedule "B" to this Circular confirms the amendments described above. In order to be passed, these resolutions require 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. **US Employee Share Purchase Plan**

Background

At the meeting, shareholders will be asked to vote on a resolution approving a new US Employee Share Purchase Plan (the "ESPP"). In this section, references to "Stantec" include Stantec's subsidiaries and affiliates. A copy of the ESPP has been attached as Schedule "D" to this Management Information Circular. The purpose of the ESPP is to promote the interests of Stantec by aiding us in attracting and retaining US employees who we expect will contribute to our growth and financial performance for the benefit of our shareholders. We have had a similar plan in place for Canadian employees since March 30, 1994.

Under the ESPP, employees will authorize payroll deductions to be made for the purchase of Stantec common shares. Stantec will make certain matching cash contributions as further described below and Computershare Shareholder Services, Inc. (the "Plan Administrator") will, under the terms of the ESPP, make purchase of Stantec Common Shares on the New York Stock Exchange (the "NYSE") or the TSX at market prices. No Stantec Common Shares will be issued from treasury under the ESPP and as a result the TSX does not consider the ESPP to be a "security based compensation arrangement" and does not require shareholder approval of the ESPP. However, as under the ESPP the employees have no choice to receive the cash contribution rather than have it paid to the Plan Administrator, the NYSE considers the ESPP to be an "equity compensation plan" and requires shareholder approval of the ESPP.

The following is a summary of the material terms of the ESPP and is qualified in its entirety by reference to the ESPP attached as Schedule “D.”

Summary of ESPP

Participation

All US employees (the “Participants”) who work 20 hours of more per week will be eligible to participate in the ESPP. A Participant’s right to participate in the ESPP is non-transferable. At the date of this Management Information Circular, approximately 2,200 people would be eligible to be Participants under the ESPP.

Participant Payroll Deductions

Participants may begin payroll deductions to purchase Stantec Common Shares on the first pay date in the month following hire or on the first pay date following hire date if their hire date is coincident with the first of the month. Payroll deductions will be made on a bi-weekly basis. Employees may elect payroll deductions from 1% up to 20% bi-weekly.

Employer Matching Contribution

Stantec will make a bi-weekly matching cash contribution equal to 50% of the Participant payroll deductions capped at a maximum of 2% of the Participant’s eligible compensation. Stantec will begin making matching contributions upon commencement of Participant payroll deductions. The employee must contribute a minimum of 2% of eligible compensation to be eligible to receive the company maximum matching contribution of 1%.

Common Share Purchase

The Plan Administrator will make purchases of Stantec Common Shares, at then market prices, for Participants with the payroll deductions on a monthly basis. Stantec or the Plan Administrator may hold funds temporarily, until Stantec Common Shares are available for purchase in the market.

An employee may sell any Stantec Common Shares purchased under the ESPP at any time and will pay all relevant commissions and expenses incurred with regard to the sale.

Duration, Termination and Amendment

The ESPP may be terminated or amended at any time by the Board of Directors of Stantec Inc. A Participant may withdraw at any time and all of a Participant’s rights under the ESPP will terminate when he or she ceases to be an eligible Participant due to retirement, resignation, death, termination or otherwise failing to continue to meet the eligibility requirements. A notice of withdrawal will be deemed to have been received from a Participant on the day of his or her final payroll deduction. If a legal process interrupts a Participant’s payroll deductions, a withdrawal notice will be deemed as having been received on the day the interruption occurs.

Resolution and Recommendation

The Board of Directors recommends that shareholders vote FOR the approval of the ESPP.

The resolution attached as Schedule “C” to this Circular confirms the approval of the ESPP. 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.

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.

CURRENCY

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

VOTING SHARES AND THEIR PRINCIPAL HOLDERS

As of the record date (March 15, 2007), Stantec has 45,559,413 Common Shares issued and outstanding. Each holder of Common Shares on the record date will be entitled to one vote on all matters proposed to come before the meeting for each Common Share held.

To the knowledge of 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, 2006, Stantec announced its intention to make a normal course issuer bid starting June 1, 2006 and expiring May 31, 2007. During this period, Stantec may acquire up to 2,258,754 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 adhere. As a 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. Stantec continues to monitor and adapt as corporate governance standards evolve.

Board of Directors' Meetings

There were seven Board of Directors' meetings and one strategic planning session in 2006. The Board of Directors has met twice in 2007 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 Vancouver, British Columbia.

Committees of the Board of Directors

In 2006, there were two committees of the Board of Directors: (1) the Audit Committee and (2) the Corporate Governance and Compensation Committee.

Audit Committee



The Audit Committee members are all independent directors. The committee members are William D. Grace, Chairman, Robert R. Mesel, and Ivor M. Ruste (as of Feb. 21, 2007). E. John (Jack) Finn was a member of the Audit Committee throughout 2006 and will continue to be an Audit Committee member until the Annual General and Special Meeting on May 3, 2007. In summary, the committee monitors, evaluates, approves and makes recommendations on matters affecting Stantec's external audit, financial reporting and accounting control policies.

The Audit Committee met five times in 2006. 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 and the text of the Audit Committee Terms of Reference may be found in Stantec's Annual Information Form dated March 30, 2007, filed on SEDAR at www.sedar.com.

Corporate Governance and Compensation Committee



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

This committee makes recommendations to the Board of Directors on:

Corporate Governance Matters

- developments in the area of corporate governance generally;
- composition and size of the Board of Directors;
- appropriate candidates for nomination to the Board of Directors;
- providing an orientation and education program for new directors;
- evaluating the performance of the Board of Directors, any committees, and individual directors;
- considering and approving any requests by an individual director to engage outside experts at 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 2006. 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.

The number of Common Shares and Deferred Share Units held by each of the directors as described below is at March 15, 2007. The value of the Common Shares and Deferred Share Units described for each of the directors is calculated based upon the closing price of Stantec's common shares on March 15, 2007.

E. John (Jack) Finn will be stepping down from the Board of Directors at the Annual General Meeting. The Board of Directors wishes to thank Jack for his almost twelve years of dedicated service.

Ronald Triffo - Chairman of the Board of Directors, Stantec Inc.
Edmonton, AB - Canada
Age: 67



Ronald 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 as well as the Chairman of the Alberta Ingenuity Fund. Mr. Triffo is the immediate Past Chair of Alberta Treasury Branches (ATB Financial) and a past Chair of the Alberta Economic Development Authority. He also serves on the Board of Alberta's Promise, the Advisory Council of the Faculty of Medicine and Dentistry at the University of Alberta, and the Board of Governors of Junior Achievement of Northern Alberta. Mr. Triffo is a Past President of the Consulting Engineers of Alberta and the Association of Consulting Engineers of Canada and has received several provincial and national awards for his extensive contributions to the engineering profession, community and business.

Director Since	Independent	Common Shares	Options	Deferred Share Units	2006 Attendance	
August 12, 1985	Yes	1,043,775 Value: $33,484,302	0	800 Value: $25,664	Board Meetings	7 of 7

Robert J. Bradshaw - Chairman, Contor Industries Limited
Toronto, ON - Canada
Age: 59



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	2006 Attendance	
December 14, 1993	Yes	110,000 Value: $3,528,800	0	12,000 Value: $384,960	Board Meetings	7 of 7
					Corporate Governance & Compensation Committee	3 of 3

Anthony (Tony) P. Franceschini - President & CEO, Stantec Inc.
Edmonton, AB - Canada
Age: 56



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	2006 Attendance	
February 3, 1994	No	370,502 Value: $11,885,704	300,000	Not eligible	Board Meetings	7 of 7

William D. Grace — Corporate Director
Edmonton, AB — Canada
Age: 71



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. From 1988 to 1994, he was a managing partner in the Edmonton office 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 Ltd., BioMS Medical Corp Millar Western Forest Products Ltd. and a number of private companies. He is also the independent Chairman of the Edmonton Pipe Industry Pension Trust and Health & Welfare Funds, a director of the Mutual Dealers Association of Canada, and a public council member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. Mr. Grace is a Past President of both the Alberta and Canadian Institute of Chartered Accountants, and has been active over the past years in numerous community and professional organizations.

Director Since	Independent	Common Shares	Options	Deferred Share Units	2006 Attendance	
April 29, 1994	Yes	26,000 Value: $834,080	0	12,000 Value: $384,960	Board Meetings	6 of 7
					Audit Committee	5 of 5
					Corporate Governance & Compensation Committee	3 of 3

Susan E. Hartman — President and Owner, The Hartman Group
Rochester, NY — USA
Age: 56



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, Inc. and The SCORE Foundation.

Director Since	Independent	Common Shares	Options	Deferred Share Units	2006 Attendance	
November 4, 2004	Yes	2,350 Value: $75,388	0	8,000 Value: $256,640	Board Meetings	7 of 7
					Corporate Governance & Compensation Committee	3 of 3

Aram H. Keith – Vice-Chairman of the Board of Directors, Stantec Inc.
Irvine, CA – USA
Age: 62



Aram H. Keith co-founded The Keith Companies, Inc. in March 1983 and served as its Chief Executive Officer and Chairman of the Board of Directors until its acquisition by Stantec in 2005. During that time, the firm grew to have 17 offices and over 850 employees. Under his leadership, The Keith Companies won many major awards for its outstanding projects. Mr. Keith has been a licensed civil engineer since 1972. He received a Bachelor of Science 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 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	2006 Attendance	
November 3, 2005	No	414,162 Value: $13,286,317	0	Not eligible	Board Meetings	7 of 7

Robert R. Mesel – Corporate Director
Kiawah Island, SC – USA
Age: 71



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

Director Since	Independent	Common Shares	Options	Deferred Share Units	2006 Attendance	
November 4, 2004	Yes	5,000 Value: $160,400	0	8,000 Value: $256,640	Board Meetings	6 of 7
					Audit Committee	5 of 5

Ivor M. Ruste – Vice President, Finance, EnCana Corporation
Calgary, AB – Canada
Age: 51



Ivor Ruste joined the Board of Stantec in February of 2007. Mr. Ruste is currently Vice President, Finance for EnCana Corporation (an unconventional natural gas and integrated oilsands company) headquartered in Calgary. He has a B Com (with distinction) from the University of Alberta and is a Fellow Chartered Accountant (FCA). From 1998 to 2006, he was the Managing Partner of the Edmonton office of KPMG LLP (an accounting firm) and just prior to joining EnCana in May 2006, was the Alberta Regional Managing Partner and Vice Chair of the KPMG Canada Board of Directors. Mr. Ruste currently serves on the Board of Governors for the University of Alberta and is Chair of the Audit Committee as well as a member of the Human Resources and Compensation Committee. Mr. Ruste has been active over the past 25 years in numerous other business, community and professional activities.

Director Since	Independent	Common Shares	Options	Deferred Share Units	2006 Attendance	
February 21, 2007	Yes	500 Value: $16,040	0	800 Value: $25,664	Board Meetings	0 of 0

With the exception of Aram H. Keith who, prior to September 15, 2005, was the Chief Executive Officer and Chairman of the Board of The Keith Companies, Inc., and Ivor M. Ruste who, prior to March 1, 2006, was a Managing Partner of the Edmonton office of KPMG LLP, each of the directors of Stantec has been engaged for more than five years in their present principal occupation or in other capacities with the company or organization (or a predecessor thereof) in which they currently hold their principal occupation.

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

COMPENSATION OF DIRECTORS

Prior to January 1, 2007, Mr. Triffo, the Chairman of the Board of Directors, received $150,000 per year as a director fee retainer pursuant to an agreement with Stantec. He was 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.

Effective January 1, 2007, Mr. Triffo's retainer will be $75,000 per year as a director fee retainer pursuant to an agreement with Stantec. Also effective January 1, 2007, Mr. Triffo is entitled to participate in the Deferred Share Unit program and is also entitled to the same meeting fees as other Directors. This agreement with Mr. Triffo will end when he ceases to be the Chairman of the Board of Directors.

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

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

The remaining 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 cannot be transferred and carry no right to be exchanged into Stantec common shares. 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 not 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. Franceschini, and Mr. Keith, receive:

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

Neilson A. Bertholf retired from the Board of Directors on September 1, 2005. As a result of his retirement, he was paid the amount of $158,633 which was the value of the DSUs he had earned as a member of the Board of Directors. According to Stantec's DSU Policy, DSUs are earned annually but not paid until retirement of the board member.

The total amount paid to the Directors of Stantec for the year ended December 31, 2006, was as follows:

	CASH COMPENSATION							DSU COMPENSATION	
Directors	Board Meetings $1,800/ Meeting	Audit Committee Meetings $1,800/ Meeting	Audit Chair $3,000/qtr as of Jan/06	Corp. Gov. & Comp. Committee $1,800/ Meeting	Corp. Gov & Comp. Chair $1,500/qtr	Conference Call $1,800/ Meeting	Total YTD	# of DSUs	Value at Date of Issue
Triffo, Ronald[1]	Nil	Nil	Nil	Nil	Nil	Nil	$150,000	Nil	Nil
Franceschini, Anthony P.[1]	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Keith. Aram H.[1]	Nil	Nil	Nil	Nil	Nil	Nil	$143,560[2]	Nil	Nil
Bertholf, Neilson A.[3]	$ 1,800	Nil	Nil	Nil	Nil	Nil	$ 1,800	Nil	Nil
Bradshaw, Robert J.	$ 7,200	Nil	Nil	$ 3,600	$ 6,000	$ 5,400	$ 22,200	3,200	$ 66,512
Finn, E. John (Jack)	$ 7,200	$ 5,400	Nil	Nil	Nil	$ 7,200	$ 19,800	3,200	$ 66,512
Grace, William D.	$ 7,200	$ 5,400	$ 10,500	$ 3,600	Nil	$ 9,000	$ 35,700	3,200	$ 66,512
Hartman, Susan E.	$ 7,200	Nil	Nil	$ 3,600	Nil	$ 5,400	$ 16,200	3,200	$ 66,512
Mesel, Robert R.	$ 7,200	$ 5,400	Nil	Nil	Nil	$ 5,400	$ 18,000	3,200	$ 66,512
Totals	**$ 37,800**	**$ 16,200**	**$ 10,500**	**$ 10,800**	**$ 6,000**	**$ 32,400**	**$407,260**	**16,000**	**$ 332,560**

1 Mr. Triffo was paid compensation of $150,000 per year as a director fee retainer pursuant to an agreement with Stantec. This agreement has been amended as of January 1, 2007 to $75,000 per year. He is also entitled to participate in the DSU program and is entitled to the same meeting fees as other Directors. Likewise Mr. Keith is paid $126,574 pursuant to an agreement with Stantec. Mr. Franceschini is not compensated for acting as a director.

2 Mr. Keith was paid $126,574 in US dollars.

3 Mr. Bertholf received payment in January of 2006 for attending the November 3, 2005 Board of Directors' Meeting.

AGE AND TERM LIMITS

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

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

It is the sense of the Board of Directors that an age limit of 72 would be appropriate at the present time. However, this matter will be reviewed from time to time by the Corporate Governance and Compensation Committee and the Board of Directors.

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

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	2006 2005 2004	$375,005 $375,004 $375,004	$1,722,106 $1,161,425 $844,350	nil nil nil	$7,500[3] $7,730[3] $9,000[3]
E. C. NIELSEN (US $) Senior Vice President, US West	2006 2005 2004	$378,145 $99,448 —	$240,000 $200,000 —	10,000 nil nil	$8,800[3] $4,500[3] —
D.W. WILSON Vice President & CFO	2006 2005 2004	$249,307 $232,828 $224,030	$350,000 $300,000 $250,000	10,000 nil 5,000	$12,465[3] $11,8834 $69,4395
M.E. JACKSON Senior Vice President	2006 2005 2004	$249,109 $226,336 $218,460	$350,000 $300,000 $250,000	10,000 nil 5,000	$36,0216 $10,305[3] $5,869[3]
V. DIMANNO Senior Vice President, Canada	2006 2005 2004	$223,210 $177,991 $172,696	$350,000 $200,000 $140,000	10,000 nil 4,000	$8,5657 $6,590[3] $4,954[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. Wilson's registered retirement savings/employee share purchase plan ($10,533) and a service award ($1,350).
5. 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).
6 Represents a payment to Mr. Jackson's registered retirement savings/employee share purchase plan ($12,456) and a payout of vacation time that Mr. Jackson had accrued but not taken during his time at Stantec ($23,565).
7 Represents a payment to Mr. DiManno's registered retirement savings/employee share purchase plan ($6,765) and a service award ($1,800).

CEO Compensation

Compensation	Value
Base salary	$375,005
Bonus	$1,722,106
ESP/RRSP	$7,500
Share options granted in 2006 fiscal year	0
Total compensation	**$2,104,611**

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

Option Grants During the Most Recently Completed Financial Year

Name	Securities under Options[1]	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price ($/Common Share)	Market Value of Securities Underlying Options on the Date of Grant ($/Security)	Expiration Date
A.P. Franceschini	Nil	0.00%	N/A	N/A	N/A
E. C. Nielsen	10,000[2]	2.12%	$20.37	$20.37	August 18, 2013
D.W. Wilson	10,000[3]	2.12%	$20.37	$20.37	August 18, 2013
M.E. Jackson	10,000[4]	2.12%	$20.37	$20.37	August 18, 2013
V. DiManno	10,000[5]	2.12%	$20.37	$20.37	August 18, 2013

1 Options granted under Stantec's Employee Share Option Plan to purchase common shares of Stantec.
2 3,333 options are exercisable on August 18, 2007, 3,333 options are exercisable on August 18, 2008, and 3,334 options are exercisable on August 18, 2009.
3 3,333 options are exercisable on August 18, 2007, 3,333 options are exercisable on August 18, 2008, and 3,334 options are exercisable on August 18, 2009.
4 3,333 options are exercisable on August 18, 2007, 3,333 options are exercisable on August 18, 2008, and 3,334 options are exercisable on August 18, 2009.
5 3,333 options are exercisable on August 18, 2007, 3,333 options are exercisable on August 18, 2008, and 3,334 options are exercisable on August 18, 2009.

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	104,000	$1,864,120	240,000/60,000	$3,633,600/$702,000
E. C. Nielsen	nil	Nil	0/10,000	0/$48,800
D.W. Wilson	18,000	$324,350	54,668/13,332	$1,009,284/$92,116
M.E. Jackson	nil	nil	38,668/13,332	$610,684/$92,116
V. DiManno	4,000	$75,920	30,332/12,668	$518,066/$83,484

1 The closing price of Stantec's Common Shares on the TSX on December 29, 2006 was $25.25.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,702,784	$ 11.92	2,643,668[1]

1 This number is equal to the maximum number of Stantec options authorized to be issued under the Stantec Share Option Plan (4,514,126) less 167,674 Stantec options which have been exercised over the life of the Stantec Stock Option Plan less the 1,702,784 Stantec options outstanding as at December 31, 2006.

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
60,000	$8.05	January 3, 2004	January 3, 2010
60,000	$9.42	January 3, 2005	January 3, 2011
60,000	$10.80	January 3, 2006	January 3, 2012
60,000	$12.17	January 3, 2007	January 3, 2013
60,000	$13.55	January 3, 2008	January 3, 2013

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

Mr. Franceschini will also receive a $750,000 lump sum payment if he terminates his employment within six months of 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.

Eric C. Nielsen

Stantec Consulting Inc. has an agreement with Mr. Nielsen, effective September 15, 2005 (the "Effective Date"). The agreement provides that Mr. Nielsen is entitled to a combined annual salary and discretionary bonus of not less than $450,000 (USD) for the 24 month period following the Effective Date.

If Mr. Nielsen is involuntarily or constructively, as defined in the agreement, terminated from his position with Stantec Consulting Inc. within 24 months following the Effective Date, Stantec Consulting Inc. shall pay to Mr. Nielsen 2 times the annual highest level of total cash compensation paid to Mr. Nielsen in any one of the 3 calendar years immediately prior to termination, inclusive of the year of termination. In addition, any unvested options previously granted to Mr. Nielsen will immediately vest and become exercisable as of the date of termination and remain exercisable until their respective expiration date. Under an involuntary or constructive dismissal within 24 months of the Effective Date, Mr. Nielsen is entitled to continuing health coverage for 24 months following termination at a level commensurate to the coverage provided by Stantec Consulting Inc. to Mr. Nielsen immediately prior to such termination, as well as the continuation for 24 months of all other benefits received by Mr. Nielsen immediately prior to such termination.

Donald W. Wilson

Stantec Consulting Ltd. ("Stantec Consulting") has an employment contract with Donald W. Wilson. The contract provides Mr. Wilson with a bi-weekly salary and a discretionary annual bonus. Mr. Wilson's bi-weekly salary was set at $10,577.25 effective January 1, 2007.

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.

Mark E. Jackson

Stantec Consulting has an employment contract with Mr. Jackson. 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, 2007.

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.

Valentino DiManno

Stantec Consulting has an employment contract with Mr. DiManno. The contract provides Mr. DiManno with a bi-weekly salary and a discretionary annual bonus. Mr. DiManno's bi-weekly salary was set at $9,615.75 effective January 1, 2007.

If Stantec Consulting terminates Mr. DiManno without cause, Stantec shall give three (3) months notice or pay in lieu of notice. If he is terminated for cause, it will be without notice or pay in lieu of notice.

Mr. DiManno'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.

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 2006, bonuses ranged from 63% to 459% 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.

Stantec has no Defined Benefit Corporate Pension Plans or Supplemental Pension Plans for Executives.

Compensation of the Chief Executive Officer

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

Because there are limited direct comparables for the 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 2006, Mr. Franceschini's compensation was allocated as follows (based on the terms of his employment agreement):

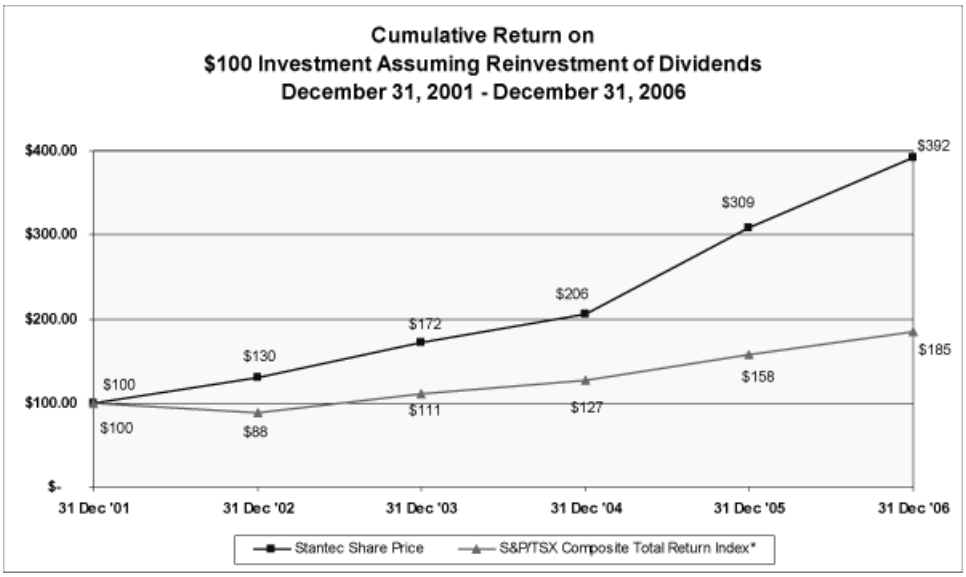
Base Salary: 18%
Annual Bonus: 82%

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 US$45,000,000 a year and a US$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, 2006 to May 1, 2007 and its total premium is US$594,000.

2007 SHAREHOLDER PROPOSALS

Shareholder proposals must be submitted no later than December 16, 2007 to be considered for inclusion in next year's Management Information Circular for the purposes of Stantec's 2008 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, 2006 and comparative information for the year ended December 31, 2005, 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, 2007

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 nine members, seven 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 seven independent directors are Ronald Triffo, Robert J. Bradshaw, E. John (Jack) Finn, William D. Grace, Susan E. Hartman, Robert R. Mesel , and Ivor. M. Ruste.

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 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 2006, the independent directors met on seven separate occasions.

Ronald. 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 20 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 2006 can be found on pages 20 through 23 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 orientation 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 offices.

Ethical Business Conduct

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

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

The Board of Directors believes that providing a forum for employees and officers to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness 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 24 to 26 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 26 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"

EMPLOYEE SHARE OPTION PLAN RESOLUTION

WHEREAS the Board of Directors has amended Stantec's Employment Share Option Plan to allow the Board of Directors to make certain amendments to the Plan without shareholder approval; and to issue options with, or amend outstanding options to have, a conditional expiration date in the event of a trading blackout imposed by Stantec.

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:

   i. provide that the Board of Directors be allowed to make certain amendments to the Plan without shareholder approval; and

   ii. to allow that in the event that the term of an option expires within or within three trading days following the end of a "blackout period" imposed by Stantec, the option shall expire on the date that is ten trading days following the end of the blackout period;

   all as described in the Management Information Circular for the May 3, 2007 annual and special shareholders meeting.

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”

US EMPLOYEE SHARE PURCHASE PLAN RESOLUTION

WHEREAS on February 22, 2007, the Board of Directors of Stantec Inc. (the “Corporation”) resolved to establish and adopt the 2007 Employee Stock Purchase Plan (the “ESPP”) in the form annexed to the Management Information Circular in respect of the May 3, 2007 Annual and Special Meeting;

AND WHEREAS shareholder approval of the shareholders of the Corporation is required by the New York Stock Exchange to approve the ESPP for use by the Corporation and its affiliated companies;

BE IT RESOLVED THAT:

1. the ESPP in the form annexed to the Management Information Circular in respect of the May 3, 2007 Annual and Special Meeting is hereby approved; and

2. any officer of the Corporation or of Stantec Inc. 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 and to do all such other acts as may be deemed necessary or desirable to carry out and give effect to the foregoing.

SCHEDULE “D”

US EMPLOYEE SHARE PURCHASE PLAN

STANTEC CONSULTING INC.
2007 EMPLOYEE STOCK PURCHASE PLAN

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STANTEC CONSULTING INC.
2007 EMPLOYEE STOCK PURCHASE PLAN

ARTICLE 1

PURPOSE

The Employee Stock Purchase Plan (the "Plan") is a program designed to foster employee stock ownership by allowing employees of Stantec Consulting Inc. and its affiliates with employees in the United States (the "Company") to purchase the common stock of the Company's parent, Stantec Inc., with payroll deductions. The Plan is a payroll practice of the Company and therefore is not a pension or welfare plan subject to Employee Income Retirement Security Act (ERISA). The Plan is not an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code.

ARTICLE 2

ADMINISTRATION OF THE PLAN

The Plan shall be administered by a committee appointed by the Board of Directors of Stantec Consulting Inc. (the "Committee"). The Board of Directors shall determine the number of members of the Committee and, from time to time, may add or remove members from the Committee. The Committee may select one of its members as Chairperson and may hold meetings at such times and places as it may determine. Acts by a majority of the Committee, or acts approved by a majority of the Committee, shall be valid acts of the Committee.

The interpretation and construction by the Committee of any provision of the Plan shall be final. The Committee may adopt, from time to time, such rules and regulations, as it deems appropriate for carrying out the Plan. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan.

In the event the Board of Directors fails to appoint or refrains from appointing a Committee, the Board of Directors shall have the power and authority to administer the Plan. In such event, the term "Committee" wherever used herein shall be deemed to mean the Board of Directors.

The Company or its parent may engage a third party to provide stock plan administration services, including recordkeeping services, enrollment services, transaction services, reporting, internet and website services and the like. Such a third party shall be referred to as the "Program Administrator."

ARTICLE 3

ELIGIBLE EMPLOYEES

All US employees of the Company who work a minimum of twenty hours and week and any officers of the Company who are employees are eligible to participate in the Plan.

ARTICLE 4

SHARES TO BE PURCHASED

The stock subject to purchase under the Plan is publicly traded shares of the common stock of Stantec Inc. which will be purchased on the open market (the “Shares”).

ARTICLE 5

PAYROLL DEDUCTIONS

In order to enter the Plan, an employee who is eligible to participate must authorize payroll deductions to be made for the purchase of Shares. The definition of compensation from which payroll deductions can be authorized shall be the same as the definition of compensation, as amended from time to time, from which employees eligible to participate in the Stantec Consulting Inc. 401(k) Profit Sharing Plan may make elective deferrals (“Compensation”). Payroll deductions may be made in whole percentages of a Participant’s Compensation from 1% to 20%. A Participant may authorize increases or decreases in the amount of payroll deductions. In order to effect a change in the amount of the payroll deductions, the Company must receive notice of such change in the manner specified by the Committee and changes will take effect as soon as administratively possible. The Company or the Program Administrator may accumulate and hold payroll deductions for the Participant’s account until a stock purchase is made. No interest shall be paid on such amounts.

ARTICLE 6

ADDITIONAL COMPANY COMPENSATION TO PURCHASE SHARES

The Company will provide a Participant with an amount up to 1% of Compensation solely for the purpose of purchasing additional Shares. If a Participant elects a payroll deduction of 1% of Compensation, the amount provided by the Company will equal .5% of Compensation. If a Participant elects a payroll deduction of 2% or more of Compensation, the amount provided by the Company will equal 1% of Compensation. The Company, from time to time, may increase or decrease, or eliminate entirely, the percentage of the Compensation which the Company will make available to Participants for the purchase of additional Shares.

The amounts the Company makes available for this purpose shall be treated as additional compensation for W-2, income tax and employment tax purposes. Notwithstanding the provisions of any employee benefit plan or other program to the contrary such amounts shall not be treated as compensation for purposes of any other employee benefit plan or program and shall not constitute an entitlement or affect a Participant’s rate of pay. The amounts the Company makes available pursuant to this Article will be taxed each pay period.

The Company will pay all administrative costs associated with the implementation and operation of the Plan.

ARTICLE 7

AUTHORIZATION FOR ENTERING THE PLAN

An eligible employee may enter the Plan by enrolling in the Plan and specifying their contribution amount in the manner authorized by the Committee. Such authorization will take effect on the first pay date in the month following the date of hire or the authorization or the first pay date following the date of hire or authorization if the hire date or authorization is coincident with the first of the month. Unless a Participant authorizes changes to his payroll deductions in accordance with Article 5 or withdraws from the Plan, their deductions under the latest authorization on file with the Company shall continue from one payment period to the succeeding payment period as long as the Plan remains in effect.

ARTICLE 8

PURCHASE OF SHARES

All Shares purchased under the Plan shall be purchased on the open market by a broker designated, from time to time, by the Committee, at market prices. Participants shall not be entitled to have Shares purchased for their account at any discount to the market price. On a monthly basis, as soon as practicable following the month end, the Company shall remit the total of payroll deductions and additional Company compensation under Article 6 to the broker for the purchase of Shares. The broker will then execute the purchase order and the Program Administrator shall allocate whole Shares (or a value equal to a fraction thereof) to each Participant's individual recordkeeping account. In the event the purchase of Shares takes place over a number of days and at different prices, then each Participant's allocation shall be adjusted on the basis of the average price per Share over such period as directed by the Committee.

ARTICLE 9

ISSUANCE OF SHARES

The Shares purchased under the Plan shall be held by the Program Administrator or its nominee. Participants shall receive periodic statements that will evidence all activity in the accounts that have been established on their behalf. Such statements will be issued by the Program Administrator or its nominee. In the event a Participant wishes to hold certificates in their own name, the Participant must instruct the Program Administrator or its nominee independently and bear the costs associated with the issuance of such certificates and pay, if required, any fee for each certificate so issued. Certificates for fractional Shares will not be issued. The value of a fractional Shares shall be reflected in individual Participants' accounts. The value of a fractional Share reflected in a Participant's account will be liquidated on a cash basis only in lieu of the issuance of certificates for such fractional Shares upon the Participant's withdrawal.

ARTICLE 10

AUTOMATIC DIVIDEND REINVESTMENT

Any dividends paid to Participants for Shares purchased under the Plan and held by the Plan Administrator shall be automatically reinvested in the Shares.

ARTICLE 11

SALE OF SHARES PURCHASED UNDER THE PLAN

Each Participant may at any time direct the Plan Administrator to sell all of any portion of the Shares acquired under the Plan and held by the Program Administrator by notifying the Program Administrator, who will direct the broker to execute the sale on behalf of the Participant. The Participant shall pay the broker's commission and any other expenses incurred with regard to the sale of the Shares. All such sales of the Shares will be subject to compliance with any applicable federal or state securities, tax, or other laws. Each participant assumes the risk of any fluctuations in the market price of the Shares.

The additional Company compensation to purchase Shares shall cease for a period of 12 months from the date of the sale of any Shares.

ARTICLE 12

WITHDRAWAL FROM THE PLAN

A Participant may withdraw from the Plan at any time by changing their payroll deduction to zero as described in Article 5. In order to execute a sale of all or part of the Shares purchased under the Plan and held by the Program Administrator, the Participant must contact the Program Administrator directly. If the Participant desires to withdraw from the Plan by liquidating all or part of their shareholder interest, they shall receive the proceeds from the sale thereof, minus the commission and other expenses on such sale.

ARTICLE 13

NO TRANSFER OR ASSIGNMENT

A Participant's right to purchase Shares under the Plan through payroll deduction is theirs alone and may not be transferred or assigned to, or availed of, by any other person.

ARTICLE 14

BENEFICIARY DESIGNATION

A Participant may file with the Company a written designation in the form approved by the Committee of who is to receive any Shares and/or cash, if any, from the Participant's account under the Plan in the event of such Participant's death. The Participant may change such designation of beneficiary at any time in writing using a form approved by to Committee.

If no Beneficiary is designated, or in the event no Beneficiary or contingent Beneficiary is surviving at the time of the Participant's death, a Participant's Beneficiary shall be deemed to be their spouse, if living, or if there is no spouse living, the Participant's issue, by right of representation, or if neither the Participant's spouse nor any issue are living, the Participant's estate. If a Participant completes a form designating more than one Beneficiary, their account will be divided equally amongst the Beneficiaries who survive the Participant, unless the Participant specifies otherwise in writing.

The Program Administrator shall deliver such Shares and/or cash to Beneficiary or if there are no living Beneficiaries to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Committee), then to such other person as the Committee may designate. Each Beneficiary shall be conclusively presumed to be legally competent until the date on which the Committee shall have received written notice in the form and manner acceptable to it that such individual is an incompetent or a minor for whom a guardian, conservator, or other persona legally vested with their care shall have been appointed. In such event, the Company, the Committee and the Program Administrator shall be discharged from any liability for any payments made to individual or their guardian, conservator or other person legally vested with their care.

ARTICLE 15

TERMINATION OF PARTICIPATION

A Participant's right to elect payroll deductions under the Plan and to receive the additional Company compensation to purchase Shares under Article 6 will terminate when they cease to be an eligible Participant due to retirement, resignation, death, termination, or any other reason. A notice of withdrawal will be deemed to have been received from a Participant on the day of their final payroll deduction. If any legal process interrupts a Participant's payroll deductions, a withdrawal notice will be deemed as having been received on the day the interruption occurs. The Participant will retain the right to any Shares or cash allocated to their account.

ARTICLE 16

TERMINATION AND AMENDMENT TO THE PLAN

The Company may at any time and from time to time amend the Plan in whole and in part to comply with any requirement of law or to effect the purposes for which the Plan was adopted.

The Company may discontinue or terminate the Plan at any time without any liability whatsoever for such discontinuance or termination. Upon a discontinuance or any termination of the Plan, all payroll deductions and additional Company compensation under Article 6 not used to purchase Shares will be refunded. The Participant will retain the right to any Shares allocated to their account.

ARTICLE 17

NO RIGHT TO CONTINUED EMPLOYMENT

Neither the action of the Company in establishing the Plan, nor any action taken under or in connection with the Plan by the Company, its parent , the Board of Directors, the Committee, the Program Administrator or any other person, nor any provision of the Plan itself shall be construed so as to grant any Participant or other person the right to remain in the employ of the Company or any of its affiliates, subsidiaries or divisions, and such Participant's employment may be terminated at any time with or without cause.

ARTICLE 18

CORPORATE TRANSACTIONS/CHANGE IN CONTROL

In the event of dissolution, merger, consolidation or reorganization of the Company, provision may be made by which the Plan will be continued by the successor; and, in that event, such successor shall be substituted for the Company under the Plan. The substitution of the successor shall constitute an assumption of the Plan terms and obligations by the successor and the successor shall have all of the powers, duties and responsibilities of the Company under the Plan.

ARTICLE 19

MISCELLANEOUS

The Plan shall be governed and construed under the laws of the State of Arizona.

The headings of this Plan are inserted for convenience of reference only and are not to be considered in construction of the provisions of the Plan.

When necessary to the meaning, either the masculine or the neuter pronoun shall be deemed to include the masculine, the feminine and the neuter, and the singular shall be deemed to include the plural, unless the context dictates otherwise.

Any action which may be taken by the Company under the Plan may be taken by any person or persons duly authorized by resolution of the Board of Directors to take such action.

Dated this _____ day of _____, 2007 to be effective as of [July 6, 2007].

COMPANY:

STANTEC CONSULTING INC.,
an Arizona corporation

_____

By

COMMITTEE

_____

_____

_____

Stantec

TSX STN
NYSE SXC

Annual Information Form

March 30, 2007

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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 and US securities regulators, or in other communications. Forward-looking statements may involve, but are not limited to, comments with respect to Stantec's objectives for 2007 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, and communications;
- power or water supply disruptions;
- industry and worldwide economic and political conditions;
- regulatory and statutory developments;
- the effects of competition in the geographic and business areas in which 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, 2006, 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.	100	n/a	British Columbia
659243 B.C. Ltd.	100	n/a	British Columbia
0714993 B.C. Ltd.	100	n/a	British Columbia
0715004 B.C. Ltd.	100	n/a	British Columbia
0715007 B.C. Ltd.	100	n/a	British Columbia
1208023 Alberta ULC	100	n/a	Alberta
3102452 Nova Scotia Company	100	n/a	Nova Scotia
Amerex International, Inc.	100	n/a	British Virgin Islands
Architectura Inc.	0[1]	100	Alberta

SUBSIDIARY	PERCENTAGE OF VOTING SHARES	PERCENTAGE OF RESTRICTED SHARES*	JURISDICTION OF INCORPORATION
APAI Architecture Inc.	100	n/a	British Columbia
CPV Architects & Engineers Ltd.	100	n/a	British Columbia
DH Testing Services, Inc[2]	100	n/a	Florida
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 and Tobago
Project Delivery Holdings LLC	100	n/a	New York
SEA, Incorporated	100	100	Nevada
SSBV Consultants Inc.	33 1/3	n/a	British Columbia
Stantec Architecture Inc.	0[1]	n/a	North Carolina
Stantec Architecture Ltd.	0[1]	n/a	Canada
Stantec Consulting Associates P.C.	0[1]	n/a	New York
Stantec Consulting Caribbean Ltd.	100	n/a	Barbados
Stantec Consulting Inc.	100	100	Arizona
Stantec Consulting International Ltd.	100	100	Canada
Stantec Consulting Ltd.	100	n/a	Canada
Stantec Consulting Massachusetts P.C.[3]	0[1]	n/a	Massachusetts
Stantec Consulting Michigan Inc.	100	n/a	Michigan
Stantec Consulting Services Inc.	100	100	New York
Stantec Engineering (Puerto Rico) P.S.C.	0[1]	n/a	Puerto Rico
Stantec Facilities Ltd.	100	n/a	Alberta
Stantec Geomatics Ltd.	50[1]	100	Alberta
Stantec Holdings (Delaware) III Inc.	100	100	Delaware

SUBSIDIARY	PERCENTAGE OF VOTING SHARES	PERCENTAGE OF RESTRICTED SHARES*	JURISDICTION OF INCORPORATION
Stantec Holdings Ltd.	100	100	Alberta
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.	100	n/a	Texas
UEI Global I, Inc.	100	n/a	Texas
Universal Energy do Brasil Ltda.	100	n/a	Brazil

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

1 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.

2 Acquired as part of the acquisition of Dufresne-Henry, Inc. See the General Development of the Business section below and the acquisition section of the Description of the Business on page 8.

3 Incorporated on September 5, 2006.

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 2006 are as set out below:

March 2006	Carinci Burt Rogers Engineering, Inc.
April 2006	Dufresne-Henry, Inc.
May 2006	ACEx Technologies, Inc.

During 2004, Stantec completed four acquisitions (see “Description of the Business-Acquisitions” for more information). 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 (see “Description of the Business-Acquisitions” for more information). 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.

Effective May 17, 2006, Stantec subdivided its shares on a two-for-one basis. During 2006, Stantec completed three acquisitions, as described above.

On February 21, 2007, Ivor M. Ruste was appointed to the Stantec Board of Directors.

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 generally accepted accounting principles (“GAAP”) in Canada and the United States, Stantec has one reportable segment – Consulting Services.

Stantec uses a three-dimensional business model, illustrated as follows, 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, Prairies, Ontario West, Ontario GTA (Greater Toronto Area), and Ontario East. Stantec's US East region includes the Mid-Atlantic, New England 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 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 2006 and 2005:

	2006		2005	
Units	**(C$000)**	**%**	**(C$000)**	**%**
Consulting Services	816,133	100%	618,020	100%

Consulting Services Business Unit

Consulting Services are provided by Stantec in five provinces in Canada, 21 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. 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, electrical and acoustical 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 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, energy and resources, consumer products, forestry, food and beverage, bio/pharmaceuticals, power generation and transmission, facilities and infrastructure, maintenance and repair facilities, National Defense facilities, utilities, renewable energy, mining and general manufacturing sectors. Stantec's services to these clients include programming, planning, engineering, construction management 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 primarily to the land development, housing, commercial, retail, and real estate industries. Services are delivered through three areas of professional practices: Planning & Landscape Architecture, Urban Land Engineering, and Surveys/Geomatics. Stantec assists its urban land clients through the entire land development process from procurement of the land to master planning of the development, engineering and landscape architecture design, and surveys/geomatics for entitlement and construction. Services include conceptual planning, urban and land planning, master development planning, zoning approval, subdivision and entitlement, boundary and topographic mapping, grading and infrastructure design, landscape architecture, construction administration, and construction surveying.

Acquisitions

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

Year	Business Acquired	Nature of Business
2006	Carinci Burt Rogers Engineering, Inc.	Provides electrical engineering consulting services in Ontario.
2006	Dufresne-Henry, Inc.	Provides multi-disciplined engineering and consulting services in the New England states, New York and Florida.

Year	Business Acquired	Nature of Business
2006	ACEx Technologies, Inc.	Provides communications system engineering services in California and Texas.
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.

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 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, 2006, Stantec had 5,990 staff. This total staff number is comprised of 2,983 professionals, 2,141 technologists and technicians, and 866 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, St. Lucia, Grenada, Bahamas, St. Vincent, Bermuda and Puerto Rico), in Asia (China, Taiwan, Japan and India), in South America (Peru, Brazil and Paraguay), and in other locations (Cyprus, Mexico, Madagascar, Norway and Kenya). Such operations accounted for approximately 1% of Stantec's revenues in 2006. 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.

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 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.

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 from 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.

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 professional surveying, resident engineering services, field data surveys and collection, archeology, plant start-up and testing, and plant operations. Certain weather conditions and natural or other disasters, such as fires, floods, influenza pandemics, and similar events, may cause postponements in the initiation and/or completion of 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.

Goodwill and other intangible assets acquired as a result of Stantec's acquisitions 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 40% 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 the actual performance of 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.

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.

In 2006, 34.5% (2005 – 33.8%) of Stantec's gross revenue was 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
- 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.

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

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.

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's attention from normal business operations, divert financial resources to the defense of such claims, or result in significant attorney fees and damage awards for which Stantec may not be fully insured and which could harm its reputation. Any of these circumstances could adversely affect Stantec's profitability.

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.

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

As of December 31, 2006, Stantec's backlog was approximately C$685 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.

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 C$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.

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 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 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 24 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 30 and 55% of Stantec's gross revenue during the years ended December 31, 2003 through December 31, 2006 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.

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, 2006; December 31, 2005; December 31, 2004; and, December 31, 2003 for C$1.00 were US$0.88, US$0.83, US$0.76, and US$0.71, 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.

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 2006 subconsultant costs accounted for approximately 8.6% (2005 — 9.6%) 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.

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

An acquired company's customers may, in response to the announcement of the acquisition, delay or defer decisions concerning their use of the 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 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 75% of the dollar value of its contracts in 2006 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.

Stantec may have difficulty in attracting and retaining qualified staff, which may affect its reputation in the marketplace 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.

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.

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.

Inadequate internal controls or disclosure controls may result in events that could adversely affect Stantec's business.

Inadequate internal controls or disclosure controls over financial reporting could result in material misstatement in Stantec's financial statements and related public disclosures. Such inadequate controls could also result in system downtime, backlogs, fraud, or the inability to continue Stantec's business operations. Stantec has a dedicated in-house Compliance team that is responsible for ongoing control documentation and the evaluation of internal controls.

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

Fraud may occur and remain undetected resulting in a loss of assets and/or misstatement in Stantec's financial statements and related public disclosures. Stantec has implemented various business conduct policies addressing potential fraud risks, including its Code of Ethics, Conflict of Interest, and Whistleblower policies. Stantec's Compliance team reviews fraud as part of its control evaluation program.

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.

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.

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") and the NYSE for Stantec's Common Shares during the 52 weeks ended December 31, 2006, were C$25.84 and C$18.50, respectively and US$22.55 and US$16.33, 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; (4) changes in interest rates; (5) announcements by key competitors; (6) additions or departures of key staff; (7) announcements of legal proceedings or regulatory matters; or (8) general volatility in the stock market.

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

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

To establish and protect its intellectual property rights, Stantec relies on a combination of trademark and trade secret laws, along with licenses, exclusivity agreements, and other contractual covenants. However, the measures Stantec takes to protect its intellectual property rights may prove inadequate to prevent the misappropriation of its intellectual property. Litigation may be necessary to enforce Stantec's 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 Stantec, and could significantly harm the results of Stantec's operations.

Managing Stantec's Risks

Stantec mitigates its operating, market and growth and acquisition integration risks 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. 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 2006, Stantec completed a number of employee-focused activities, including the expansion of its Learning Resource Center with updated content and new in-house programs and training. Launched in 2005, the center is the on-line source for all Stantec's learning resources, providing access to programs and material on topics such as employee orientation, people skills and leadership, project management, risk mitigation, business development, and financial management, among others. As well, 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, 2006, no Preferred Shares and 45,257,451 Common Shares have been issued and are outstanding. The number of Common Shares issued and outstanding as at December 31, 2006 includes 55,666 Common Shares issued in connection with the acquisition of The Keith Companies, Inc. to former holders of shares of The Keith Companies, Inc. These shares are subject to restrictions on transfer which mirror the restrictions previously imposed on the holders of The Keith Companies, Inc. shares (the "Keith Restricted Shares"). In accordance with Canadian and US GAAP, the Keith Restricted Shares are considered to be contingently returnable shares and, therefore, have not been included in the basic earnings per share calculation and the outstanding share data information presented in Stantec's Management's Discussion and Analysis and in the annual financial statements for the year ended December 31, 2006. As at December 31, 2005, 117,392 (adjusted to retroactively account for the stock split that occurred in May of 2006) Keith Restricted Shares were issued and outstanding. During 2006, restrictions were removed from 30,093 Keith Restricted Shares and 31,633 Keith Restricted Shares were returned for cancellation, with the result that, as at December 31, 2006, 55,666 Keith Restricted Shares were issued and outstanding. The material rights, privileges, restrictions and conditions attached to the Preferred Shares and the Common Shares (including the Keith Restricted Shares) are summarized below.

Preferred Shares

The Preferred Shares may be issued in one or more series, 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 on the NYSE under the symbol "SXC". The trading information on the TSX for the period from January 1, 2006 to December 31, 2006 (adjusted to retroactively account for the stock split that occurred in May 2006) is set out in the following table:

Month	High (C$)	Low (C$)	Volume*
January	21.34	19.25	1,420,400
February	23.22	20.07	1,878,500
March	22.10	19.45	2,216,200
April	22.51	21.11	911,600
May	23.75	21.44	1,685,200
June	24.50	20.59	3,690,300
July	21.77	18.50	1,382,900
August	21.25	19.00	1,682,400
September	20.80	19.86	2,080,300
October	23.69	20.01	1,667,700
November	25.84	22.15	1,378,200
December	25.44	22.50	1,969,800
			21,963,500

* Volume numbers are rounded to the nearest hundred shares.

The trading information on the NYSE for the period from January 1, 2006 to December 31, 2006 (adjusted to retroactively account for the stock split that occurred in May 2006) is set out in the following table:

Month	High (US$)	Low (US$)	Volume*
January	18.71	16.60	443,200
February	20.09	17.63	275,200
March	18.78	16.78	207,000
April	19.75	18.20	159,600
May	21.56	19.35	376,000
June	22.26	18.45	275,600
July	19.20	16.33	140,500
August	19.10	16.76	179,800
September	18.65	17.68	109,400
October	21.00	18.05	154,000
November	22.55	19.66	217,300
December	21.88	19.70	362,500
			2,900,100

* 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 four members: William (Bill) Grace (Chairman), John (Jack) Finn, Robert Mesel and, as of February 21, 2007, Ivor Ruste. Jack Finn was a member of the Audit Committee throughout 2006 and will continue to be an Audit Committee member until the Company's Annual General Meeting on May 3, 2007, at which time he will not seek re-election as a Director.

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 each of Mr. Grace and Mr. Ruste 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, he served as the Chief Financial Officer with several Alberta corporations. From 1988 to 1994, he was a managing partner in the Edmonton office of Price Waterhouse. Mr. Grace is the recipient of several awards including the Alberta Achievement Award from the Province of Alberta, the Lifetime Achievement Award from the Alberta Institute of Chartered

Accountants and the University of Alberta Alumni Award of Excellence. He currently holds a number of corporate directorships in addition to Stantec, including the Forzani Group Ltd., Melcor Developments Ltd., BioMS Medical Corp., Millar Western Forest Products Ltd. and a number of 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 is a Past President of both the Alberta and Canadian Institute of Chartered Accountants, and has been active over the past 25 years in numerous community and professional organizations.

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 at Buffalo, and the advanced management program at Harvard Business School. He is also the past president of BP Chemicals Inc. and Chase Brass & Copper Company.

Ivor M. Ruste is currently Vice President, Finance for EnCana Corporation (an unconventional natural gas and integrated oilsands company) headquartered in Calgary, Alberta. He has a B Com (with distinction) from the University of Alberta and is a Fellow Chartered Accountant (FCA). From 1998 to 2006, he was the Managing Partner of the Edmonton office of KPMG LLP (an accounting firm) and, just prior to joining EnCana in May 2006, was the Alberta Regional Managing Partner and Vice Chair of the KPMG Canada Board of Directors. Mr. Ruste currently serves on the Board of Governors for the University of Alberta and is Chair of the Audit Committee as well as a member of the Human Resources and Compensation Committee. Mr. Ruste has been active over the past 25 years in numerous other business, community and professional activities.

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, 2006 and 2005 were as follows:

Category	Note	2006	2005
Audit Fees	1	C$1,056,000	C$754,000
Audit-Related Fees	2	0	24,000
Tax Fees	3	532,000	898,000
Total		C$1,588,000	C$1,676,000

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. Included is C$500,000 related to the fee for the audit of internal controls.

2 – Audit-Related Fees – assurance and related services provided by Ernst & Young LLP that are reasonably related to the performance of the audit or review of the financial statements and are not reported under "Audit Fees".

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

DIRECTORS AND OFFICERS

The following table lists the directors of Stantec Inc., current to March 15, 2007, their municipality of residence and their principal occupation within the five preceding years:

Directors of Stantec

Name and Municipality of Residence	Principal Occupation	Director since
ROBERT J. BRADSHAW[1] Toronto, 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
IVOR M. RUSTE[2] Calgary, AB Canada	Vice President, Finance, EnCana Corporation (an unconventional natural gas and integrated oilsands company)	2007

Name and Municipality of Residence	Principal Occupation	Director since
RONALD 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. (an engineering and consulting firm), a position he held since 1983 and Ivor M. Ruste who, just prior to joining EnCana Corporation in May 2006, was the Alberta Regional Managing Partner and Vice Chair of the KPMG Canada Board of Directors and who, from 1998 until 2006, was the Managing Partner of the Edmonton office of KPMG LLP (an accounting firm), each of the directors of Stantec has been engaged for more than five years in their present principal occupation or in other capacities with the company or organization (or a predecessor thereof) in which they currently hold their principal occupation.

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

The following table lists the executive officers of Stantec, current to March 15, 2007, their municipality of residence and their principal occupation within the five preceding years:

Executive Officers of Stantec

Name and Municipality of Residence	Principal Occupation	Officer Positions Held
Executive Officers of Stantec Inc.		
RONALD TRIFFO Edmonton, AB Canada	Chairman of the Board	Chairman of the Board of Stantec Inc.
ARAM H. KEITH Irvine, CA USA	Vice Chairman of the Board	Vice Chairman of the Board of Stantec Inc.
ANTHONY P. FRANCESCHINI* Edmonton, AB Canada	President & CEO	President & CEO of Stantec Inc.
DONALD W. WILSON* St. Albert, AB Canada	Vice President & CFO	Vice President & CFO of Stantec Inc.
JEFFREY S. LLOYD Edmonton, AB Canada	Vice President, Secretary & General Counsel	Vice President, Secretary & General Counsel of Stantec Inc.
Other Executive Officers		
W. PAUL ALLEN* Elmira, ON Canada	Corporate Practice Area Unit Leader, Urban Land	Senior Vice President of certain Stantec Inc. subsidiaries

Name and Municipality of Residence	Principal Occupation	Officer Positions Held
RICHARD ALLEN* Canton, MA USA	Regional Operating Unit Leader, US East	Senior Vice President of certain Stantec Inc. subsidiaries
CARL F. CLAYTON* Edmonton, AB Canada	Corporate Practice Area Unit Leader, Transportation	Senior Vice President of certain Stantec Inc. subsidiaries
VALENTINO DIMANNO* Calgary, AB Canada	Regional Operating Unit Leader, Canada	Senior Vice President of certain Stantec Inc. subsidiaries
ROBERT J. GOMES* Edmonton, AB Canada	Corporate Practice Area Unit Leader, Industrial & Project Management	Senior Vice President of certain Stantec Inc. subsidiaries
MARK E. JACKSON* Kitchener, ON Canada	Senior Vice President & COO	Senior Vice President & COO of certain Stantec Inc. subsidiaries
JEFFERY KISHEL* Longmont, CO USA	Corporate Practice Area Unit Leader, Environment	Senior Vice President of certain Stantec Inc. subsidiaries
ERIC C. NIELSEN* Santa Ana, CA USA	Regional Operating Unit Leader, US West	Senior Vice President of certain Stantec Inc. subsidiaries
STANIS I.R. SMITH* Burnaby, BC Canada	Corporate Practice Area Unit Leader, Buildings	Senior Vice President of certain Stantec Inc. subsidiaries

* Member of the Company's Executive Leadership Team.

All of the above executive officers have held their present position or other positions within Stantec for the past five years, except for Aram H. Keith who, prior to September 15, 2005, was the Chief Executive Officer and Chairman of the Board of The Keith Companies, Inc. (an engineering and consulting firm), Stanis I.R. Smith who, prior to January 2, 2003, was President of Architectura Planning Architecture Interiors Inc. (an architectural and interior design firm); Richard Allen who, prior to April 17, 2006, was President and Chief Executive Officer of Dufresne-Henry, Inc. (an engineering and consulting firm); Jeffery Kishel who, prior to November 11, 2006, was Senior Vice President, Strategic Development and Client Services of MWH (an engineering and consulting firm); and, Eric C. Nielsen who, prior to September 15, 2005, was President and Chief Operating Officer of The Keith Companies, Inc. (an engineering and consulting firm).

As at March 15, 2007, as a group the directors of Stantec Inc. and the executive officers of Stantec held, either directly or indirectly, or exercised control over 2,288,833 (5.02%) of the voting shares (Common Shares) of Stantec.

LEGAL PROCEEDINGS

1. 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 ostensibly as a result of one driver's falling asleep and rear-ending another vehicle. Ms. Parris advanced a civil claim in New York State on or about December 1, 2003 alleging, among other things, negligence in the design and construction of the roadway. Ms. Parris alleges that as a result of the accident, Alonzo Raynard Parris sustained fatal injuries and his son, Raynard Parris, sustained injury and mental distress. Sear-Brown is one of a number of defendants in the legal proceeding. Damages sought total US$43 million. Sear-Brown's insurer has responded to the claim. The allegations against Sear-Brown have been denied and are being contested. One Sear-Brown entity has been dismissed from the lawsuit on Summary Judgment.

2. Celanese Canada Inc. – This matter has been resolved. Stantec was 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 were 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 was named in Celanese's C$110 million suit for alleged breach of proprietary information/technology and alleged breach of confidentiality agreements. Celanese claimed 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 denied any wrongdoing. On May 15, 2006, Celanese agreed to discontinue its action against Stantec without costs.

In addition to the Valerie Parris claim 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 Valerie Parris claim summarized above is not expected to have a material effect on the financial position of Stantec, it is included herein because the amount claimed exceeds 10% of the current assets of Stantec.

TRANSFER AGENT

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

MATERIAL CONTRACTS

Stantec did not enter into any material contracts outside of the ordinary course of business in 2006. 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, 2006 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, 2007, the designated professionals of Ernst & Young LLP did not own any Stantec Common Shares.

ADDITIONAL INFORMATION

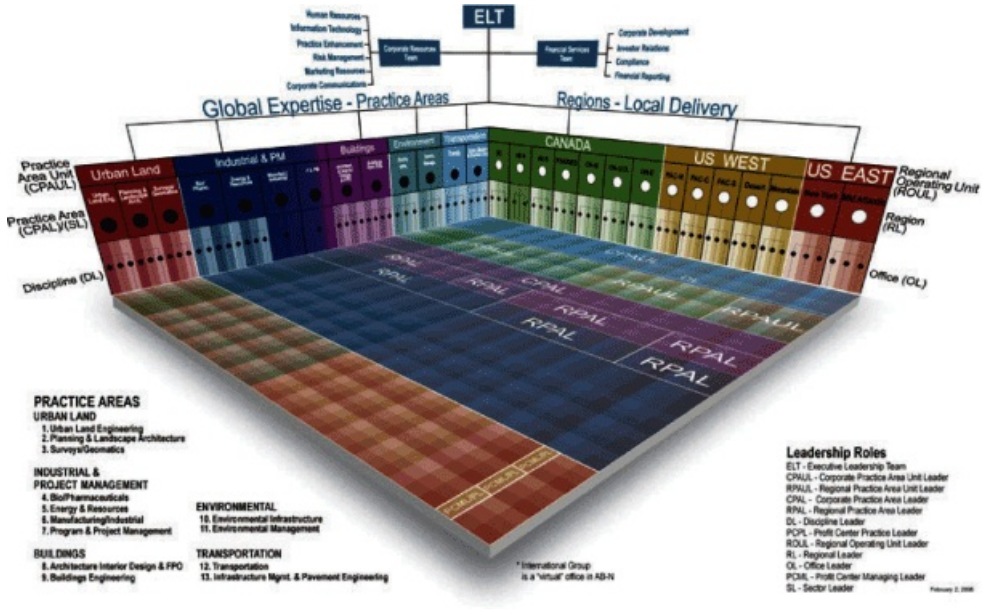
Financial information is provided in Stantec's consolidated financial statements and Management's Discussion and Analysis for its most recently completed financial year. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Stantec's securities and securities authorized for issuance under equity compensation plans is contained in Stantec's Management Information Circular, dated March 15, 2007. 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, 2006, 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, which may be accessed at www.sedar.com.

Edmonton, Alberta
March 30, 2007



JEFFREY S. LLOYD
Secretary

APPENDIX I


ELT
Global Expertise - Practice Areas
Regions - Local Delivery
Urban Land
Industrial & PM
Buildings
Environment
Transportation
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 & FPO
9. Buildings Engineering
ENVIRONMENTAL
10. Environmental Infrastructure
11. Environmental Management
TRANSPORTATION
12. Transportation
13. Infrastructure Mgmt. & Pavement Engineering
* International Group is a "virtual" office in AB-N
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
PCML - Profit Center Managing Leader
SL - Sector Leader

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



A. OVERVIEW AND PURPOSE

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

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

B. AUTHORITY AND RESPONSIBILITIES

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

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

Provide reports and minutes of meetings to the Board.

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

C. MEMBERSHIP

The members of the Committee shall be composed of three independent directors, appointed by the Board, all of whom must be financially literate and at least one member shall have accounting or related financial management expertise and be an audit committee financial expert as defined in SEC Regulations. For greater clarity, the Board has adopted the definition of independent director as set out in Multilateral Instrument 52-110 of the Canadian Securities Administrators.

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

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

D. FINANCIAL STATEMENTS AND DISCLOSURES

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

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

   (a) the financial content of the annual report;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   (e) any off-balance sheet structures; and

   (f) the key estimates and judgements of management that may be material to the financial reporting of the Corporation.

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

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

E. <u>EXTERNAL AUDITOR</u>

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

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

    (a) staffing;

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

    (c) materiality limits;

    (d) audit reports required;

(e) areas of audit risk;

(f) timetable; and,

(g) the proposed fees.

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

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

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

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

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

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

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

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

    (b) any significant accounting or financial reporting issues;

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

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

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

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

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

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

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

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

F. INTERNAL AUDIT

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

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

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

    (a) staffing;

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

    (c) materiality limits;

    (d) audit reports required;

    (e) areas of audit risk;

    (f) timetable; and,

    (g) the proposed budget.

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

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

    (b) any significant accounting or financial reporting issues;

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

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

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

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

G. INTERNAL CONTROLS

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

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

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

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

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

H. COMPLIANCE/RISK/FRAUD

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

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

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

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

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

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

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

I. OTHER

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

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

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

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

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

J. MEETINGS

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

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

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

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

51. The Secretary of the Corporation shall provide for the delivery of notices, agendas and supporting materials to the Committee members at least five (5) days prior to the meeting except in unusual circumstances.

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

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

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

55. Minutes of the meetings of the Committee shall be distributed by the Secretary of the Corporation to all members of the Committee within seven (7) working days of each meeting, and shall be submitted for approval at the next regular meeting of the Committee.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Stantec Inc.'s operations and financial position, dated February 21, 2007, should be read in conjunction with the Company's 2006 audited consolidated financial statements and related notes. Our 2006 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 21 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 our Annual Information Form, is available on SEDAR at www.sedar.com. Such additional information is not incorporated by reference and should not be deemed to be made part of this Management's Discussion and Analysis.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

Statements of this type are contained in this report, including the discussion of our goal in the Visions, Core Business, and Strategy section and of our annual targets and expectations for our practice areas in the Results and Outlook sections, and may be contained in filings with securities regulators or in other communications. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives for 2007 and beyond, our strategies or future actions, our targets, our expectations for our financial condition or share price, or the results of or outlook for our operations or for the Canadian or US economies.

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.

Future outcomes relating to forward-looking statements may be influenced by many factors, including, but not limited to, global capital market activities; fluctuations in interest rates or currency values; our ability to execute our strategic plans or to complete or integrate acquisitions; critical accounting estimates; the effects of war or terrorist activities; the effects of disease or illness on local, national, or international

economies; the effects of disruptions to public infrastructure such as transportation or communications; disruptions in power or water supply; industry or worldwide economic or political conditions; regulatory or statutory developments; the effects of competition in the geographic or business areas in which we operate; the actions of management; or technological changes.

We caution that the foregoing list is not exhaustive of all possible factors and that other factors could adversely affect our results. The Risk Factors section below provides additional information concerning key factors that could cause actual results to differ materially from those projected in our forward-looking statements. Investors and the public should carefully consider these factors, other uncertainties, and potential events as well as the inherent uncertainty of forward-looking statements when relying on these statements to make decisions with respect to our Company. The forward-looking statements contained herein represent our expectations as of February 21, 2007, and, accordingly, are subject to change after such date. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time.

VISION, CORE BUSINESS, AND STRATEGY

Our Company provides professional consulting services in planning, engineering, architecture, interior design, landscape architecture, surveying and geomatics, environmental sciences, project management, and project economics for infrastructure and facilities projects. 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, and our focus is providing professional services in the infrastructure and facilities market principally on a fee-for-service basis. To achieve our objective, we must expand the depth and breadth of our services, which will result in growth. We intend to continue to pursue a prudent growth plan in expectation of achieving or exceeding $1 billion in annual revenue in the year 2008.

Our business strategy is based on managing risk by

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

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

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

Through our “One Team. Infinite Solutions.” approach to our business and service delivery, we have one reportable GAAP segment—Consulting Services—which is an aggregate of our operating segments. Our operating segments are based on our regional geographic areas, and our chief operating decision maker (Chief Executive Officer) assesses our Company’s performance based on financial information available from these geographic areas. In addition, we have practice areas that provide strategic direction, mentoring, and technical support across all of our geographic regions.

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

Geographic Diversification

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

Practice Area Specialization

Currently, we provide services in five specialized and distinct practice area groupings—Buildings, Environment, Industrial & 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: 1) Architecture, Interior Design & Facilities Planning & Operations and 2) Buildings Engineering. Our core services in these areas include project/program management, facilities management, strategic planning, architectural design, interior design, and structural, mechanical, electrical, and acoustical engineering for both new construction and existing buildings and facilities. For existing buildings, we offer expertise in performance engineering, building operating systems (including analysis of exterior envelope, air quality, lighting, and energy efficiency), and ongoing tenant improvements.

Environment. We provide solutions for sustaining air, water, and soil quality as well as the health of natural ecosystems through two specialist practice areas: 1) Environmental Infrastructure and 2) 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/management of combined and sanitary sewer overflows; 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/pharmaceutical, 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: 1) Manufacturing/Industrial, 2) Energy & Resources, 3) Bio/Pharmaceuticals, and 4) 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: 1) Transportation and 2) 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: 1) Planning & Landscape Architecture, 2) Urban Land Engineering, and 3) 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 phase, we provide ongoing professional services for maintenance and rehabilitation projects in areas such as facilities and infrastructure management, facilities operations, and performance engineering. Finally, in the decommissioning phase, we provide solutions and recommendations for taking facilities out of active service.

Our three-dimensional business model approach allows us to provide services to many clients and for many projects, ensuring that we do not rely on a few large projects for our revenue and that no single client or project accounts for more than 5% of our business.

KEY PERFORMANCE DRIVERS AND CAPABILITIES

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

People

Because we are a professional services firm, the most important driver of our performance is our people. Our employees create the project solutions we deliver to clients. Consequently, to achieve our goal of becoming a top 10 global design firm, we must grow our workforce through a combination of internal hiring and acquisitions. We measure our success in this area by total staff numbers. In 2006 our employee numbers increased to approximately 6,000 from 5,500 in 2005. Currently, our workforce is made up of about 3,000 professionals, 2,100 technical staff, and 900 support personnel. We expect our employee numbers to continue to increase in 2007 and beyond.

To attract and retain qualified staff, we offer opportunities to be part of “One Team” working on challenging multidiscipline projects with some of the most talented people in our industry. We are continually strengthening and supporting our people-oriented, “One Team. Infinite Solutions.” culture. In 2006 we completed a number of activities, including the expansion of our Learning Resource Center with updated content and new in-house programs and training. Launched in 2005, the center is the on-line source for all our learning resources, providing access to programs and material on topics such as employee orientation, people skills and leadership, project management, risk mitigation, business development, and financial management, among others. Going forward, we will continue to update and improve our learning programs and other career development initiatives in response to the needs of our staff.

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

Market Opportunities/Acquisition and Integration

We believe that growth is necessary in order to enhance the depth and breadth of our expertise, broaden our services, increase our shareholder value, provide more opportunities for our employees, and lever our information technology systems. Our strategy is to combine internal growth with the acquisition of firms

that believe in our vision and want to be part of our dynamic Company. Since we became publicly traded on the Toronto Stock Exchange (TSX) in 1994, we have integrated a total of over 4,300 employees into the Stantec family from throughout Canada, the United States, and the Caribbean. In 2006 we completed three acquisitions, including two in the United States, which established a new geographic subregion in New England and platforms for growth in Florida and Texas, and one in Ontario, Canada. In total, these acquisitions added over 315 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 2005.)

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

Our acquisition and integration program is managed by a dedicated acquisition team that supports, or is responsible for, the tasks of identifying and valuing acquisition candidates, undertaking and coordinating due diligence, negotiating and closing transactions, and integrating employees and systems following an acquisition.

Financing

Our success also depends on our continuing ability to finance our growth plan. Adequate financing gives us the flexibility to acquire firms that are appropriate to our vision and complement our business model. Since we became publicly traded on the TSX in 1994, we have grown our gross revenue at a compound annual rate of 20.3%. 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. Currently, we have a revolving credit facility, expiring on August 31, 2009, 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 2006

By executing our business strategy in 2006, we generated strong results for the fiscal year as well as growth in gross revenue, net income, and earnings per share as follows:

	2006	2005	$ Change	% Change
	(In millions of Canadian dollars, except per share amounts)			
Gross revenue	816.1	618.0	198.1	32.1%
Net income	60.2	40.6	19.6	48.2%
Earnings per share – basic	1.34	1.02	0.32	31.4%
Earnings per share – diluted	1.31	0.99	0.32	32.3%
Cash flows from operating activities	93.4	57.3	36.1	n/m
Cash flows used in investing activities	(15.6)	(114.6)	99.0	n/m
Cash flows from (used in) financing activities	(77.4)	47.9	(125.3)	n/m

n/m = not meaningful

In our 2005 Management's Discussion and Analysis, we established various ranges of expected performance for 2006. The following table presents the results we achieved in 2006 as we met or exceeded all our established targets:

Measure	Expected Range	Result Achieved
Debt to equity ratio *[note 1]*	At or below 0.5 to 1	(0.03)ü
Return on equity *[note 2]*	At or above 14%	16.1%ü
Net income as % of net revenue	At or above 5%	8.5%ü
Gross margin as % of net revenue	Between 54 and 56%	57.0%üü
Administrative and marketing expenses as % of net revenue	Between 40 and 42%	41.3%ü
Effective income tax rate	Between 32 and 34%	32.7%ü

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.

üü *Better than target*
ü *Met target*
û *Did not meet target*

The following highlights the major financial achievements and strategic activities that occurred in 2006, as well as other factors that contributed to our successful financial performance and strong overall financial condition:

- **A year of record results and continued growth.** In 2006 we posted record gross revenue, net income, and basic and diluted earnings per share.
  - Gross revenue for 2006 was $816.1 million compared to $618.0 million in 2005 and $520.9 million in 2004.
  - Net income for 2006 was $60.2 million compared to $40.6 million in 2005 and $30.2 million in 2004.
  - Diluted earnings per share for 2006 were $1.31 compared to $0.99 in 2005 and $0.79 in 2004.

- **Strong balance sheet.** Our consolidated balance sheet position at December 31, 2006, remained solid, with cash and cash equivalents of $28.4 million and long-term debt of $16.2 million compared to cash and cash equivalents of $28.1 million and long-term debt of $86.7 million at December 31, 2005. As at December 31, 2006, $149.9 million of our $160 million revolving credit facility was available for future acquisitions, working capital needs, capital expenditures, and general corporate purposes. Also during the year, we negotiated an extension of the due date of our credit facility to August 2009 and renewed our Normal Course Issuer Bid with the TSX.

- **Increased backlog.** Consolidated revenue backlog at the end of 2006 was $685 million compared to $588 million at the end of 2005 and $380 million at the end of 2004. The outlook for 2007 remains positive.

- **Growth through acquisitions.** The 32.1% growth in gross revenue from 2005 to 2006 and the 48.2% growth in net income from 2005 to 2006 were partially fueled by the integration of acquisitions completed in the second half of 2005 and by the acquisition of Carinci Burt Rogers Engineering, Inc., Dufresne-Henry, Inc., and ACEx Technologies, Inc. in 2006. The acquisitions completed in 2006 added over 315 employees to our Company and increased our growing presence in the United States.

- **Internal growth.** In addition to acquisition activities, internal growth contributed $46.7 million to the $198.1 million increase in gross revenue in 2006. Of note is a $19.9 million increase in our Industrial & Project Management practice area due to internal growth aided by a strong energy sector in western Canada.

- **Continued growth.** On January 12, 2007, we signed a non-binding letter of intent to acquire Vollmer Associates. The successful acquisition of this firm, with headquarters in New York and 24 offices throughout the northeastern United States, will add 650 employees to our Company and complement our Transportation practice area with services in engineering, architecture, planning, landscape architecture, and surveying.

- **Stock split and the issuance of stock options.** In 2006 our shareholders approved the subdivision of our issued common shares on a two-for-one basis, effective for registered common shares at the close of business on May 19, 2006. Under our Company's share option plan and as part of our incentive program, our Board of Directors granted 471,000 stock options to various officers and employees in the Company. These options vest equally over a three-year period and have a contractual life of seven years from the grant date.

- **Addition to the S&P/TSX Composite Index.** During the second quarter of 2006, our Company was added to the S&P/TSX Composite Index.

- **Award-winning projects.** We continue to receive awards for our project work. In particular, in 2006 we received various awards for our sustainable design solutions. For example, the Kamloops Centre for Water quality, the first water treatment plant in Canada to achieve LEED® Gold certification, received numerous awards, including the 2006 Canadian Consulting Engineers Award of Excellence. As well, the Frito-Lay Distribution Center in Rochester, New York, one of only two LEED® Gold-certified buildings in New York State, received the 2006 American Council of Engineering Companies, Engineering Excellence Diamond Award.

Acquisitions

Total consideration for acquisition activity was $18.5 million in 2006 and $228.7 million in 2005. In March 2006, we acquired Carinci Burt Rogers Engineering, Inc., which added over 20 employees in the Greater Toronto Area and strengthened our electrical engineering practice. In April 2006, we acquired Dufresne-Henry, Inc., adding over 270 employees and 12 office locations to our Company. The acquisition of this multidiscipline design firm, which offers services in engineering, planning, environmental sciences, and landscape architecture, complemented our New York operations, expanded our services into four new states in New England, and established an initial presence in Florida. In May 2006, we acquired the communications systems engineering firm ACEx Technologies, Inc., which added over 25 staff and new locations in Oakland, California, and Irving, Texas, and complemented our services in transit, rail and power communications, and control systems engineering. As a result of our investment in our enterprise management system in 2003 as well as subsequent enhancements, we were able to quickly integrate these acquisitions during 2006.

Selected Annual Information

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

	Selected Annual Information		
	2006	2005	2004
	(In millions of Canadian dollars, except per share and share amounts)		
Gross revenue *[note]*	816.1	618.0	520.9
Net income	60.2	40.6	30.2
Earnings per share – basic	1.34	1.02	0.82
Earnings per share – diluted	1.31	0.99	0.79
Cash dividends declared per common share	nil	nil	nil
Total assets	630.5	628.8	362.1
Total long-term debt	16.2	86.7	34.0
Outstanding common shares – as at December 31	45,201,785	44,626,262	37,742,170
Outstanding common shares – as at February 21, 2007	45,515,412		
Outstanding share options – as at December 31	1,702,784	1,876,528	2,142,666
Outstanding share options – as at February 21, 2007	1,399,054		

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 2006, the three completed in 2005, and the four completed in 2004 contributed to our year-over-year growth in gross revenue, net income, and basic and diluted earnings per share. As well, internal growth contributed $46.7 million to the $198.1 million increase in gross revenue in 2006 compared to 2005.

Our total assets increased by $1.7 million from 2005 to 2006. A $17.6 million decrease in current assets was offset by a $19.3 million increase in non-current assets. The decrease in current assets was mainly due to a reduction in restricted cash used to fund acquisitions in 2006, repay acquired debt, and pay promissory notes for acquisitions completed in prior years as further described in the Working Capital section below.

The increase in non-current assets was mainly due to a $8.8 million increase in goodwill and a $6.5 million increase in property and equipment resulting from internal growth and growth through acquisitions in the year.

Total assets increased $266.7 million from 2004 to 2005 mainly due to a $158.0 million increase in goodwill and a $21.0 million increase in intangible assets primarily arising from the three acquisitions completed in 2005.

During the third quarter of 2006, we conducted our annual goodwill impairment review. An independent third-party valuator was contracted to assist in assessing the goodwill of our operations in the US East. The review concluded that there was no impairment of goodwill.

Our total liabilities decreased $61.1 million from 2005 to 2006 mainly due to the reduction of our revolving credit facility from $79.0 million at December 31, 2005, to $8.2 million at December 31, 2006. We were able to repay our credit facility from cash generated from operations in the year. From 2004 to 2005, our credit facility increased $55.0 million mainly to finance the acquisitions in 2005.

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 *	
	2006	2005	2004	2006 vs. 2005	2005 vs. 2004
Gross revenue	115.3%	117.8%	116.0%	32.1%	18.6%
Net revenue	100.0%	100.0%	100.0%	35.0%	16.8%
Direct payroll costs	43.0%	44.7%	45.8%	29.9%	14.1%
Gross margin	57.0%	55.3%	54.2%	39.1%	19.0%
Administrative and marketing expenses	41.3%	40.6%	40.9%	37.1%	15.8%
Depreciation of property and equipment	2.2%	2.4%	2.7%	26.0%	3.4%
Amortization of intangible assets	0.9%	0.5%	0.2%	141.2%	174.2%
Net interest expense	0.3%	0.1%	0.6%	231.3%	(79.6%)
Share of income from associated companies	(0.1%)	0.0%	(0.1%)	52.4%	(51.4%)
Foreign exchange (gains) losses	0.0%	(0.1%)	0.0%	(83.5%)	377.7%
Other income	(0.2%)	(0.1%)	0.0%	319.8%	131.6%
Income before income taxes	12.6%	11.9%	9.9%	43.1%	39.9%
Income taxes	4.1%	4.2%	3.2%	33.7%	51.2%
Net income	8.5%	7.7%	6.7%	48.2%	34.6%

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

Our gross and net revenue grew at a faster rate during 2006 than during 2005 mainly due to the size of acquisitions that occurred in the second half of 2005 and in the first two quarters of 2006. Administrative and marketing expenses, amortization of intangible assets, and net interest expense grew at greater rates than the rate of growth in revenue as further explained in the Administrative and Marketing Expenses, Amortization of Intangible Assets, and Net Interest sections 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 2006 compared to 2005 and for 2005 compared to 2004. For definitions of gross and net revenue, refer to the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this discussion and analysis.

Gross Revenue	**2006 vs. 2005**	**2005 vs. 2004**
	(In millions of Canadian dollars)	
Increase (decrease) due to:		
Acquisitions growth	165.4	88.1
Net internal growth	46.7	22.8
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(14.0)	(13.8)
Total increase over prior year	198.1	97.1

Net Revenue	**2006 vs. 2005**	**2005 vs. 2004**
	(In millions of Canadian dollars)	
Increase (decrease) due to:		
Acquisitions growth	148.7	65.2
Net internal growth	46.8	22.1
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(12.2)	(11.9)
Total increase over prior year	183.3	75.4

Gross revenue earned in Canada during 2006 increased to $461.3 million from $380.5 million in 2005 and $325.8 million in 2004. Gross revenue generated in the United States in 2006 increased to $348.0 million compared to $233.4 million in 2005 and $190.4 million in 2004. Gross revenue earned outside Canada and the United States in 2006 was $6.8 million, compared to $4.1 million in 2005 and $4.7 million in 2004. The increase in revenues in both our US- and Canadian-based operations was positively impacted by the acquisitions completed in 2006 and 2005.

The following table summarizes our gross revenue by practice area for 2006, 2005, and 2004:

Practice Area Gross Revenue	**2006** *(millions of C$)*	**% of Consulting Services Gross Revenue**	**%Change 2006 vs. 2005**	**2005** *(millions of C$)*	**% of Consulting Services Gross Revenue**	**%Change 2005 vs. 2004**	**2004** *(millions of C$)*	**% of Consulting Services Gross Revenue**
Buildings	184.2	22.6%	25.0%	147.4	23.9%	50.3%	98.1	18.9%
Environment	149.4	18.3%	44.5%	103.4	16.7%	(1.1%)	104.6	20.1%
Industrial & Project Management	94.8	11.6%	39.8%	67.8	11.0%	18.9%	57.0	11.0%
Transportation	106.0	13.0%	17.0%	90.6	14.6%	(0.9%)	91.4	17.6%
Urban Land	281.7	34.5%	34.9%	208.8	33.8%	23.7%	168.8	32.4%
Total Consulting Services	816.1	100.0%	32.1%	618.0	100.0%	18.9%	519.9	100.0%

note: Comparative figures are restated due to a realignment of practice areas in 2006.

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

Practice Area Gross Revenue	2006 Compared to 2005			2005 Compared to 2004		
	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)*		
Buildings	36.8	38.7	(1.9)	49.3	43.6	5.7
Environment	46.0	32.6	13.4	(1.2)	8.1	(9.3)
Industrial & Project Management	27.0	8.9	18.1	10.8	7.5	3.3
Transportation	15.4	11.7	3.7	(0.8)	(0.3)	(0.5)
Urban Land	72.9	73.5	(0.6)	40.0	29.2	10.8
Total Consulting Services	198.1	165.4	32.7	98.1	88.1	10.0

note: Comparative figures are restated due to a realignment of practice areas in 2006.

The following summarizes the acquisitions completed from 2005 to 2006 that affected the acquisition growth of each of our practice areas:

- Buildings: Dufresne-Henry, Inc. (May 2006); Carinci Burt Rogers Engineering, Inc. (March 2006); Keen Engineering Co. Ltd. (October 2005); The Keith Companies, Inc. (September 2005); and CPV Group Architects & Engineers Ltd. (August 2005)
- Environment: Dufresne-Henry, Inc. (May 2006) and The Keith Companies, Inc. (September 2005)
- Industrial & Project Management: The Keith Companies, Inc. (September 2005) and Dufresne-Henry, Inc. (May 2006)
- Transportation: ACEx Technologies, Inc. (May 2006) and Dufresne-Henry, Inc. (May 2006)
- Urban Land: The Keith Companies, Inc. (September 2005) and Dufresne-Henry, Inc. (May 2006)

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 2006 compared to 2005 and in 2005 compared to 2004 had a negative impact on the change in gross revenue by practice area year over year. The average exchange rate for the Canadian dollar relative to the US dollar increased by approximately 6.0% from 2005 to 2006 (US$0.83 to US$0.88) and by 9.2% from 2004 to 2005 (US$0.76 to US$0.83).

Buildings

Gross revenue for the Buildings practice area grew by 25.0% from 2005 to 2006. Of the $36.8 million increase in gross revenue in 2006, $25.1 million, $6.3 million, $4.6 million, $1.4 million, and $1.3 million were due to revenue earned from the acquisition of Keen Engineering Co. Ltd., CPV Group Architects & Engineers Ltd., Carinci Burt Rogers Engineering, Inc., The Keith Companies, Inc. (Keith), and Dufresne-Henry, Inc., respectively. Foreign exchange negatively affected the change in gross revenue from 2005

to 2006 by $1.6 million. In 2006 the Buildings practice area continued to secure larger projects and to experience higher project volumes. In particular, it continued to be very active in western Canada, resulting in a strong backlog. For example, in Q3 06 we secured a multimillion-dollar contract to provide mechanical, electrical, and civil engineering services for the development of an acute care hospital facility—the Legacy project—in Vancouver, British Columbia. In addition, we were recently awarded a multimillion-dollar contract to design a three-module “campus” style facility for a banking institution in Calgary, Alberta. To assist in meeting increased demand, the practice area made use of work-sharing initiatives across the Company in 2006. We believe the Buildings practice area is well positioned to provide sustainable design expertise and solutions to clients into 2007.

Gross revenue for the Buildings practice area grew by 50.3% from 2004 to 2005. Of the $49.3 million increase in gross revenue in 2005, $43.6 million was due to acquisition growth, and $5.7 million was due to internal growth and foreign exchange. In 2005 the presence of strong economies in regions in which we operate contributed to growth in this practice area, as well as 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.

Environment

Gross revenue for the Environment practice area grew by 44.5% from 2005 to 2006. Of the $46.0 million increase in gross revenue in 2006, $20.9 million and $11.7 million were due to revenue earned from the acquisition of Keith and Dufresne-Henry, Inc., respectively. In addition, internal growth accounted for $15.7 million of the increase in gross revenue in 2006, offset by a $2.3 million negative impact from foreign exchange. The Environment practice area remained strong due to larger projects, higher labor utilization rates, and the strong economy in western Canada. The increased awareness of governments and the public of environmental issues may present opportunities for this practice area. As well, the Environment practice area is positioning itself to explore opportunities in odor and corrosion control and hazardous waste remediation.

Gross revenue for the Environment practice area decreased by 1.1% from 2004 to 2005. 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 revenue and gross margin.

Industrial & Project Management

Gross revenue for the Industrial & Project Management practice area grew by 39.8% from 2005 to 2006. Of the $27.0 million increase in gross revenue in 2006, $8.9 million was due to acquisitions. The revenue earned from the industrial and project management practice acquired from the Keith acquisition accounted for $8.1 million of the acquisition growth. In addition, internal growth accounted for $20.1 million of the increase in gross revenue in 2006, offset by a $2.0 million negative impact from foreign exchange. The internal growth in 2006 was primarily due to securing projects in the oil sands sector in western Canada. For example, during the year, the practice area completed a multimillion-dollar contract to provide services for the development of facilities and infrastructure for the Fort Hills Oil Sands project in northern Alberta. We believe the oil sands sector in western Canada will remain strong into 2007.

The Industrial & Project Management practice area continues to position itself to capture more of the support facilities and infrastructure segment of the energy and resources sector, projects in the power telecommunications sector, and opportunities that may arise from an expected increase in construction activity for ethanol and biomass facilities in Canada as a result of recent federal government initiatives. Since this practice area continues to work on projects requiring wind and solar energy expertise, it is also well positioned to capture opportunities in the renewable electrical energy sector resulting from the 2005 Energy Act in the United States. Due to competition for qualified staff, especially in western Canada, this practice area is exploring new strategies for attracting additional people.

Gross revenue for the Industrial & Project Management practice area grew by 18.9% from 2004 to 2005. Of the $10.8 million increase in gross revenue in 2005, $5.8 million was due to revenue earned from the industrial and project management practice acquired from the Sear-Brown acquisition.

Transportation

Gross revenue for the Transportation practice area grew by 17.0% from 2005 to 2006. Of the $15.4 million increase in gross revenue in 2006, $9.2 million and $2.5 million were due to revenue earned from the acquisition of Dufresne-Henry, Inc. and ACEx Technologies, Inc., respectively. In addition, internal growth accounted for $6.6 million of the increase in gross revenue in 2006, offset by a $2.9 million negative impact from foreign exchange. The implementation of the new six-year, US$286.4 billion Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) signed on August 10, 2005, increased the funds available for transportation projects, which started to translate into contracts for our Company in 2006. For example, during the year, we renewed a five-year, $11 million contract with the U.S. Department of Transportation to conduct long-term pavement performance studies. The outlook for the Transportation practice area in Canada remains strong, in particular with recent announcements of government funding such as the $2.4 billion Canadian Highways and Border Infrastructure Fund.

Gross revenue for the Transportation practice area decreased by 0.9% from 2004 to 2005. The $0.8 million decrease was mainly due to delays in US federal transportation funding in 2005.

Urban Land

Gross revenue for the Urban Land practice area grew by 34.9% from 2005 to 2006. Of the $72.9 million increase in gross revenue in 2006, $70.2 million and $3.3 million were the result of revenue earned from the acquisition of Keith and Dufresne-Henry, Inc., respectively. In addition, internal growth accounted for $4.7 million of the increase in gross revenue in 2006, offset by a $5.3 million negative impact from foreign exchange. The Keith and Dufresne-Henry Inc. acquisitions increased our presence in the urban land market in the United States. We offer urban land services primarily in Alberta, southern Ontario, and California and have a more modest presence in Arizona, Nevada, Utah, Colorado, North Carolina, and Florida and a small presence in other Canadian and eastern US markets. Our three core regions, which account for approximately 75% of our business, are stable or experiencing moderate declines in housing starts. Due to our strong market position in these regions, our overall performance in urban land was strong in 2006, and we anticipate a continuing stable market in 2007.

Gross revenue for the Urban Land practice area grew by 23.7% from 2004 to 2005. The practice area grew both internally and through acquisitions in 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 earned from the urban land practice acquired from the Keith acquisition.

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 57.0% in 2006 from 55.3% in 2005 and 54.2% in 2004. Our 2006 gross margin exceeded the anticipated range of 54 to 56% set out in our 2005 Annual Report. Factors that have contributed to our improved gross margins over the last three years include the following:

- Improved markets for our services with corresponding increases in fee rates.
- Improved project management through enhanced staff training and support systems. This improvement has been achieved through the expansion of our on-line Learning Resource Center with updated content and in-house programs and training in project and financial management and through the use of improved information available from the enterprise management systems we implemented in 2003 as well as subsequent upgrades.
- The implementation of an improved system for invoicing project-related administrative costs in 2005. Following this implementation, we continued to reflect these recoveries as part of revenue, but we now report the costs in administrative and marketing expenses. This has contributed to both the increased gross margin and the increased administrative and marketing expenses in 2006.

The following table summarizes our gross margin percentages by practice area for 2006, 2005, and 2004:

Practice Area Gross Margin	2006	2005	2004
Buildings	56.5%	55.9%	52.6%
Environment	58.4%	56.6%	55.2%
Industrial & Project Management	51.0%	49.2%	48.7%
Transportation	55.7%	56.1%	55.9%
Urban Land	58.7%	56.1%	55.6%

note: Comparative figures are restated due to a realignment of practice areas in 2006.

Gross margins in all practice areas improved from 2004 to 2006, with the exception of a modest decline of 0.4% in the Transportation practice area from 2005 to 2006. The increases in gross margins can be attributed to the same factors discussed above. Because of the nature of our business model, which is based on diversifying our operations across geographic regions, practice areas, and all phases of the infrastructure and facilities project life cycle, there will continue to be fluctuations in the margins reported from year to year depending on the mix of projects in progress during any year.

Administrative and Marketing Expenses

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

Administrative and marketing expenses as a percentage of net revenue were 40.6% in 2005 compared to 40.9% in 2004. This percentage was lower in 2005 due to a $4.0 million reduction of our allowance for doubtful accounts. This adjustment was based on improved information available on our historical loss experience. As well, our enhanced processes for identifying projects that qualify for Scientific Research and Experimental Development tax credits in Canada reduced our administrative and marketing expenses by $1.2 million in 2005. The above reductions were offset by a $4.6 million increase in our professional liability claims cost, which was based on the results of an independent actuarial review completed in 2005.

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

Depreciation of Property and Equipment

Depreciation of property and equipment as a percentage of net revenue was 2.2% in 2006, 2.4% in 2005, and 2.7% in 2004. Depreciation expense in 2006 increased at a lower rate than that of net revenue. The $3.2 million increase in depreciation from 2005 to 2006 was primarily due to the addition of property and equipment from acquisitions made in the fourth quarter of 2005 and in 2006. The reduction in depreciation expense as a percentage of net revenue in 2005 related to the sale of our office building in Edmonton, Alberta, during the fourth quarter of 2004.

Amortization of Intangible Assets

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

	2006	2005	2004
	(In thousands of Canadian dollars)		
Amortization of client relationships	2,401	1,050	579
Amortization of backlog	3,508	1,349	239
Other	223	143	109
Total amortization of intangible assets	6,132	2,542	927

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

Net Interest Expense

The increase of $1.3 million in net interest expense in 2006 compared to 2005 was a result of our long-term debt balance throughout the first two quarters of 2006 being higher than in the same period in 2005 and the prevailing interest rates in 2006 being higher than in 2005. Near the end of the third quarter of 2005, we accessed our revolving credit facility to finance the Keith acquisition. At December 31, 2005, $79.0 million was used on our credit facility. At December 31, 2006, $8.2 million was used on our credit facility. In 2006 we repaid our credit facility using cash generated from operations. Depending on the form

under which the credit facility is accessed and certain financial covenant calculations, rates of interest may vary among Canadian prime, US base rate, or LIBOR or bankers acceptance rates plus 65 or 85 basis points. Our average interest rate was 6.0% at December 31, 2006, compared to 4.34% at December 31, 2005. We estimate that, based on our loan balance at December 31, 2006, a 1% change in interest rates would impact our annual earnings per share by less than $0.01.

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.

Foreign Exchange Gains

We reported a foreign exchange gain of $0.1 million in 2006, compared to $0.4 million in 2005 and $0.1 million in 2004. These foreign exchange gains arose on the translation of the foreign-denominated assets and liabilities held in our Canadian companies and in our non-US-based foreign subsidiaries. We minimize our exposure to foreign exchange fluctuations by matching US-dollar assets with US-dollar liabilities and, when appropriate, by entering into forward contracts to buy or sell US dollars in exchange for Canadian dollars.

Throughout 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. Near the end of the third quarter of 2005, we borrowed US dollars to complete the Keith acquisition. This US-dollar debt offset our investment in US-dollar net assets and eliminated the need to enter into forward contracts. In 2006 we began repaying the US-dollar debt using cash generated from operations, which created the need to enter into forward contracts again in the last quarter of 2006. As at December 31, 2006, we had entered into a foreign currency forward contract that provided for the sale of US$4.5 million on January 12, 2007, at the rate of 1.1608 per US dollar. The fair value of this contract, estimated using market rates at December 31, 2006, was a loss of $19,167.

In 2004 the Canadian dollar rose from US$0.77 at the beginning of the year to US$0.83 at the end of the year. We recorded a $0.1 million foreign exchange gain because our matching of US-dollar assets and liabilities limited our exposure. During 2005, the Canadian dollar continued to strengthen to US$0.86, and we recorded a 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. The exchange rate at the end of December 31, 2006, was US$0.86, the same rate as at December 31, 2005, and we recorded a $0.1 million gain in 2006 due to our limited exposure throughout the year.

Income Taxes

Our effective income tax rate for 2006 was 32.7% compared to 35.0% for 2005 and 32.4% for 2004. In our 2005 Management's Discussion and Analysis, we anticipated that our effective tax rate would be in the range of 32.0 to 34.0% 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. In 2006 the Quebec government enacted Bill 15 to amend the Quebec Taxation Act, legislation that retroactively eliminated the benefit of certain financing trust arrangements. As a result of this legislative change, we recorded an additional $1.0 million of income tax expense in Q2 06 related to 2005. The impact of this increase was offset by the relative amount of income earned in our low tax rate jurisdictions, resulting in an effective income tax rate below the middle of our expected range.

Throughout 2005 we maintained our estimated rate consistently at 35.0%. The 32.4% rate 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)							
	2006				2005			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Gross revenue	211.8	210.2	208.8	185.3	180.6	146.1	150.2	141.1
Net revenue	180.6	182.0	182.2	163.1	151.9	125.9	127.7	119.1
Net income	15.6	16.5	16.7	11.4	8.0	12.8	13.1	6.7
EPS – basic	0.35	0.36	0.37	0.25	0.18	0.33	0.34	0.18
EPS – diluted	0.34	0.36	0.36	0.25	0.17	0.32	0.34	0.17

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 06 vs. Q4 05	Q3 06 vs. Q3 05	Q2 06 vs. Q2 05	Q1 06 vs. Q1 05
		(In millions of Canadian dollars)		
Increase (decrease) in gross revenue due to:				
Acquisitions growth	12.0	51.3	55.3	46.8
Net internal growth	21.4	16.3	8.5	0.5
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(2.2)	(3.5)	(5.2)	(3.1)
Total increase in gross revenue	31.2	64.1	58.6	44.2

Fourth Quarter Results

During Q4 06, our gross revenue increased by $31.2 million, or 17.3%, to $211.8 million compared to $180.6 million for the same period in 2005. Approximately $12.0 million of this increase resulted from acquisitions completed in 2005 and 2006 and internal growth of $21.4 million, offset by $2.2 million in foreign exchange due to the strengthening of the Canadian dollar during 2005 and 2006.

Net income during Q4 06 was strong, increasing by $7.6 million, or 95.7%, from the same period in 2005. Basic earnings per share in Q4 06 increased by $0.17, or 94.4%, compared to the same period in Q4 05. These increases in net income and earnings per share were mainly due to the growth in gross revenue mentioned above as well as a quarterly gross margin of 58.3% compared to 53.5% for the same period last year. Due to the nature of our business model, which is based on diversifying our operations across geographic regions, practice areas, and all phases of the infrastructure and facilities project life cycle, there will continue to be fluctuations in our gross margin from period to period depending on the mix of projects during any quarter. In addition, our 2005 gross margin was low since we integrated approximately 1,000 staff into our Company in Q4 05 from the Keith and Keen Engineering Co. Ltd. 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.

Quarterly Trends

During Q1 06, our gross revenue grew $44.2 million, or 31.3%, compared to Q1 05. Approximately $46.8 million of this increase was a result of the CPV Group Architects & Engineers Ltd., Keith, and Keen Engineering Co. Ltd. acquisitions, which occurred in the last half of 2005. With the integration of project work for over 1,000 employees into our operations from these acquisitions, net income increased by $4.7 million in Q1 06, and basic earnings per share increased by $0.07 compared to the same period in 2005.

During Q2 06, our gross revenue grew by $58.6 million, or 39.1%, compared to Q2 05. Approximately $55.3 million of this increase was a result of the three acquisitions completed in the last half of 2005 and of the Carinci Burt Rogers Engineering, Inc., Dufresne-Henry, Inc., and ACEx Technologies, Inc. acquisitions completed in the first half of 2006. Net income increased by $3.6 million in Q2 06 compared to the same period in 2005, and basic earnings per share increased by $0.03 compared to the same period last year. Net income and earnings per share would have increased $7.6 million and $0.10, respectively, had it not been for a $4.0 million positive adjustment made in Q2 05 related to management's revised estimate of provision for doubtful accounts receivable. That revised estimate was based on improved information on historical loss experience that became available to us through the use of our enterprise management system.

During Q3 06, our gross revenue grew by $64.1, or 43.9%, compared to Q3 05. Approximately $51.3 million of this increase was a result of the three acquisitions completed in the last half of 2005 and of the Carinci Burt Rogers Engineering, Inc., Dufresne-Henry, Inc., and ACEx Technologies Inc. acquisitions completed in the first half of 2006. As we integrated the staff and project work from these acquisitions, net income increased by $3.7 million, or 27.9%, in Q3 06 compared to the same period in 2005, and basic earnings per share increased by $0.03 compared to the same period last year.

Liquidity and Capital Resources

The following table represents summarized working capital information as at December 31, 2006, compared to December 31, 2005:

	Dec 31, 2006	Dec 31, 2005	% Change
	(In millions of Canadian dollars, except ratios)		
Current assets	262.8	280.4	(6.3%)
Current liabilities	(155.7)	(157.8)	(1.3%)
Working capital	107.1	122.6	(12.6%)
Current ratio	1.69	1.78	n/a

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

	2006	2005	2004	$ Change 2006 vs. 2005	$ Change 2005 vs. 2004
		(In millions of Canadian dollars)			
Cash flows from operating activities	93.4	57.3	77.4	36.1	(20.1)
Cash flows used in investing activities	(15.6)	(114.6)	(10.2)	99.0	(104.4)
Cash flows from (used in) financing activities	(77.4)	47.9	(36.0)	(125.3)	83.9

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 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 2006 was $107.1 million, compared to $122.6 million in 2005. Current assets decreased by $17.6 million, and current liabilities decreased by $2.1 million. The decrease in current assets was partly due to a decrease in restricted cash. A portion of the cash acquired as part of the Keith acquisition (US$26.1 million) was subject to restrictions outlined in the merger agreement to allow the transaction to qualify as a reorganization under US tax regulations. This cash could not be used, directly or indirectly, to pay debt incurred with respect to financing the acquisition of Keith. Generally, the restricted cash was to be used to finance future acquisitions as well as future capital expenditures. During 2006, the restricted cash decreased by $19.8 million to an outstanding balance of $1.5 million (US$1.3 million) at December 31, 2006. The $19.8 million was used to fund acquisitions completed in 2006, repay debt acquired in 2006, and pay promissory notes for acquisitions completed in prior years.

Cash Flows From Operating Activities

Our cash flows from operating activities were up by $36.1 million in 2006 from 2005 and down by $20.1 million from 2004 to 2005. Cash flows for 2006 were positively affected by a net increase of $46.7 million in cash receipts from clients less cash paid to suppliers and employees. This increase was mainly due to additional revenue generated by the acquisitions completed in the second half of 2005 and in the first three quarters of 2006. As we successfully integrated the acquisitions made in the second half of 2005, there was a reduction in our combined investment in costs and estimated earnings in excess of billings (work in progress) and in accounts receivable from 101 days of revenue at the end of 2005 to 92 days of revenue at the end of 2006.

Offsetting the above increase in operating cash flows in 2006 was a $9.2 million increase in net income taxes paid in 2006 and a $1.4 million increase in interest paid. Our income tax payments increased in 2006 to cover the higher income tax liability outstanding at the end of 2005 as well as the increased income tax installments required for 2006.

The decrease in operating cash flows in 2005 was reflective of a significant increase in operating cash flows in 2004. The implementation of our enterprise management system in the fourth quarter of 2003 contributed to the significant reduction in cash flows from operations for 2003 since our investment in costs and estimated earnings in excess of billings and in accounts receivable climbed to 119 days of revenue. The subsequent reduction to 101 days as at December 31, 2004, led to the spike in operating cash flows in 2004.

Cash Flows Used In Investing Activities

Cash flows used in investing activities decreased by $99.0 million from 2005 to 2006 and increased by $104.4 million from 2004 to 2005. In 2006 we used $12.2 million to finance acquisitions completed during the year versus $100.4 million used in 2005 and $18.8 million used in 2004. The use of cash and cash equivalents for acquisitions in 2006 was offset by a drawdown of restricted cash that we acquired in connection with the Keith acquisition.

Offsetting the reduction of cash used in investing in 2006 compared to 2005 was a $1.9 million increase in purchases of property and equipment. One factor that contributed to this increase was a $2.9 million expenditure on improvements to our offices in Vancouver, British Columbia, and Edmonton, Alberta, during the year. Our 2005 investment activities increased compared to 2004 due to the use of $1.7 million for the expansion and improvement of our office in Winnipeg, Manitoba. In 2004 we recorded a cash inflow from the sale of our Edmonton office building as well as our interest in Goodfellow EFSOP™ technology.

As a professional services organization, we are not capital intensive. Our capital expenditures have historically been made primarily for property and equipment including such items as leasehold improvements, computer equipment and business information systems software, furniture, and other office and field equipment. Our cash outflows for property and equipment were $18.9 million, $17.0 million, and $17.5 million in each of 2006, 2005, and 2004, respectively. Approximately 42.0% of these cash flows in 2006 related to buildings and leasehold improvements and computer equipment and business information systems software. Our capital expenditures during 2006 were financed by cash flows from operations. We expect our total capital expenditures in 2007 to be in the range of $27 to $30 million.

Cash Flows Used In Financing Activities

Cash flows used in financing activities increased by $125.3 million from 2005 to 2006 and decreased by $83.9 million from 2004 to 2005. In 2006 we generated sufficient cash from our operations to reduce the amount outstanding on our credit facility by $85.6 million and repay $1.8 million of our acquired debt. At December 31, 2006, we had $149.9 million of our $160 million credit facility available for future use. As well, we used $1.0 million to repurchase shares under our Normal Course Issuer Bid in 2006. The above use of cash was offset by $1.9 million generated from options exercised during the year.

In 2005 we had cash flows from financing since we accessed $95.9 million of our new credit facility for acquisition purposes, in particular, the Keith acquisition. During 2005, we replaced our credit facility by repaying $24.0 million outstanding on long-term debt and entering into a $160 million revolving credit facility that expires on August 31, 2009. 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, 2006, was 6.0%. 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 2.5 to 1 at any time and 2) the EBITDAR to debt service ratio must not be less than 1.25 to 1 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 of this analysis. We were in compliance with these covenants as at and throughout the year ended December 31, 2006. 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.

Shareholders' Equity

Our shareholders' equity increased by $62.8 million in 2006 and by $159.0 million in 2005. The following table summarizes the reasons for these increases:

	2006	2005
	(In millions of Canadian dollars)	
Beginning shareholders' equity	348.1	189.1
Net income for the year	60.2	40.6
Change in cumulative translation account	0.7	(6.6)
Share options exercised for cash	1.9	1.0
Recognition of fair value of share-based compensation	1.0	1.3
Shares repurchased under Normal Course Issuer Bid	(1.0)	(0.2)
Shares issued on the Keith acquisition	–	123.4
Restricted shares issued on the Keith acquisition	–	2.2
Share issue costs	–	(1.5)
Deferred stock compensation arising on the Keith acquisition	–	(1.2)
Total change	62.8	159.0
Ending shareholders' equity	410.9	348.1

The change arising on the translation of our US-based subsidiaries in 2006 was only $0.7 million due to the Canadian dollar remaining at US$0.86 at the end and beginning of the year in relation to the US dollar. The $6.6 million change in 2005 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.

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

Our Normal Course Issuer Bid on the TSX was renewed in 2006 and allows us to repurchase up to 2,258,754 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 2006 we purchased 51,600 common shares at an average price of $19.69 per share for an aggregate price of $1.0 million. In 2005 we purchased 13,600 common shares at an average price of $14.34 per share for an aggregate price of $195,000.

Other

Outstanding Share Data

As at December 31, 2006, there were 45,201,785 common shares and 1,702,784 share options outstanding. During the period of December 31, 2006, to February 21, 2007, no shares were repurchased under our Normal Course Issuer Bid; 298,066 share options were exercised; 5,664 share options were canceled; and 15,561 common shares were issued upon the vesting of restricted shares issued on the Keith acquisition. As at February 21, 2007, there were 45,515,412 common shares and 1,399,054 share options outstanding.

Contractual Obligations

As part of our continuing operations, we enter into long-term contractual arrangements from time to time. The following table summarizes the contractual obligations due on our long-term debt, other liabilities, and operating lease commitments as of December 31, 2006:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1–3 years**	**4–5 years**	**After 5 years**
		(In millions of Canadian dollars)			
Long-term debt	16.2	4.2	11.9	–	0.1
Interest on debt	1.7	0.8	0.9	–	–
Other liabilities	36.8	5.2	13.3	8.2	10.1
Operating lease commitments	211.0	35.8	57.5	43.0	74.7
Total contractual obligations	265.7	46.0	83.6	51.2	84.9

For further information regarding the nature and repayment terms of our long-term debt, refer to the Cash Flows Used In 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, 2006, we had off-balance sheet financial arrangements relating to letters of credit in the amount of $1.9 million that expire at various dates before January 2008. These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations.

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

Market Risk

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

Currency. Because a significant portion of our revenue and expenses is generated or incurred in US dollars, we face the challenge of dealing with fluctuations in exchange rates. To the extent that US-dollar revenues are greater than US-dollar expenses in a strengthening US-dollar environment, we expect to see a positive impact on our income from operations. Conversely, to the extent that US-dollar revenues are greater than US-dollar expenses in a weakening US-dollar environment, we expect to see a negative impact. This exchange rate risk primarily reflects, on an annual basis, the impact of fluctuating exchange rates on the net difference between total US-dollar professional revenue and US-dollar expenses. Other exchange rate risk arises from the revenue and expenses generated or incurred by subsidiaries located outside Canada and the United States. Our income from operations will be impacted by exchange rate fluctuations used in translating these 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, 2006, a 1% change in interest rates would impact our earnings per share by less than $0.01.

Related Party Transactions

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

OUTLOOK

The following table summarizes our expectations for the coming year:

Measure	Expected Range
Debt to equity ratio *[note 1]*	At or below 0.5 to 1
Return on equity *[note 2]*	At or above 14%
Net income as % of net revenue	At or above 6%
Gross margin as % of net revenue	Between 55 and 57%
Administrative and marketing expenses as % of net revenue	Between 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.

These targets are generally an improvement over our 2006 targets and are in the same range as our actual performance for 2006. Fluctuations in actual performance occur due to the particular client and project mix achieved. Some targets, such as debt to equity ratio, could be impacted and potentially exceeded by completing an opportune larger acquisition that increases our debt level above our target for a period of time.

The infrastructure and facilities market in North America, our principal area of operation, is large and is estimated to generate over US$60 billion in revenue for our addressable market. The North American market is also diverse, consisting of many technical disciplines, practice areas, client types, and industries in both the private and public sectors. Overall, we expect the outlook for professional services in our key markets and practice areas to remain positive, with continuing robust private and public sector spending on the development of new and the rehabilitation of existing infrastructure. We base this expectation on a variety of factors as described below.

Canada

The outlook for Canada, particularly western Canada, remains strong for 2007. According to the Conference Board of Canada, the Canadian gross domestic product (GDP) is expected to grow by 2.7% in 2007 and by 3.3% in 2008. We believe that GDP growth is a good indicator for the measurement of spending growth in the infrastructure and facilities industry. The following factors are evidence of a positive Canadian outlook in 2007 in areas that directly impact infrastructure spending:

- High energy prices are spurring investment in the oil and gas construction segment in Canada. Much of this investment is in Alberta's oil sands, where spending is estimated to exceed $64 billion between 2006 and 2010.
- The federal and various provincial governments recently approved additional funding for the health care and education sectors. For example, the Canadian government recently increased health care support by 6% annually up to 2013–14 to be focused on expanding "centers of excellence" as well as existing health facilities. In addition, the Ontario government's Renew Ontario Plan will contribute $10 billion to educational facilities and $5 billion to health care facilities from 2005 to 2010.

- Governments and the public are becoming increasingly aware of environmental issues and sustainable design and development. This awareness includes, for instance, an increased interest in the development of buildings and facilities that require less energy for operation and have a reduced ecological impact, as well as improvements to water, water distribution, and water treatment infrastructure. We believe that we are well positioned to capture opportunities in these areas, since we have taken a leading position in delivering sustainable design services.
- The construction of ethanol and other biomass production facilities is expected to increase throughout Canada as a result of a federal government initiative to achieve a 55% renewable fuels standard in all gasoline and diesel sold in Canada by 2010. The provinces of Saskatchewan, Manitoba, and Ontario have already announced certain ethanol content standards for gasoline sold in the immediate future.
- Expenditures on electricity are expected to increase nationally by 1.6% in 2007 as investments continue to be made in wind projects and the development and maintenance of hydroelectric projects. For instance, the Manitoba government has committed to a mandate of using 50% renewable energy by 2015 and to being 80% fossil free by 2025, a development that is expected to generate $2 billion in investments within the next two years.
- Housing starts are expected to decrease in 2007; however, they are forecasted to remain above the 200,000-unit level for the sixth consecutive year, which is higher than historical levels and contributes to our positive outlook for 2007. Due to our strong market position in the regions we service, we expect our positive performance in the urban land market to continue into 2007.
- Canada's 2006 budget commits $2.4 billion over the next five years to a new Highways and Border Infrastructure Fund. The Government of Canada will also provide $1.3 billion in support of public transit capital investments—$400 million to accelerate investment in public transit infrastructure and a one-time payment of $900 million to provinces and territories through the Public Transit Capital Trust, which will support capital investment in public transit infrastructure, including rapid and intelligent transportation systems.

United States

The outlook for the United States also remains positive for 2007, despite the slowdown in growth due to the declining housing market. Standard & Poor's anticipates that the US economy will grow by 2.3% in 2007. This continued growth is expected due to strong growth in both exports and investment spending. The following factors support our positive outlook for 2007:

- The manufacturing industry is expected to grow in 2007; however, this growth may not match the growth seen in 2006. Although industrial output does appear to be slowing, there are still companies that need to expand their warehousing and manufacturing facilities.
- As in Canada, higher energy prices are fueling a need to improve infrastructure in the oil and gas sector. As well, it is anticipated that the effects of the 2005 Energy Act will continue to drive projects and provide potential opportunities in this sector in 2007.
- The implementation of the six-year, US$286.4 billion SAFETEA-LU, which was passed into law on August 10, 2005, has increased the funds available for transportation projects.

- The housing market is forecasted to continue to decline in the first half of 2007; however, this decline is expected to be moderate, and the market may begin showing positive growth in the latter part of the year. Due to our strong market position in the regions we service and the potential for a moderation of the current decline in housing starts, we expect our urban land performance in 2006 to continue into 2007.

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

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

CRITICAL ACCOUNTING ESTIMATES, DEVELOPMENTS, AND MEASURES

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with Canadian GAAP, which require us to make various estimates and assumptions. The notes to our December 31, 2006, consolidated financial statements outline our significant accounting estimates. The accounting estimates discussed below are considered particularly important since they require the most difficult, subjective, and complex management judgments. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome.

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

Revenue and Cost Recognition Estimates on Contracts. Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method based on the ratio of contract costs incurred to total estimated contract costs. We believe that costs incurred are the best available

measure of progress toward completion of these contracts. Estimating total direct contract costs is subjective and requires the use of our best judgments based upon the information we have available at that point in time. Our estimate of total direct contract costs has a direct impact on the revenue we recognize. If our current estimates of total direct contract costs turn out to be higher or lower than our previous estimates, we will 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 costs and estimated earnings in excess of billings.

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

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

Self-Insured Liabilities. We self-insure certain risks, including professional liability and automobile liability. The accrual for self-insured liabilities includes estimates of the costs of reported claims and is based on estimates of loss using our assumptions, including consideration of actuarial projections. These estimates of loss are derived from loss history that is then subjected to actuarial techniques in the determination of the proposed liability. Estimates of loss may vary from those used in the actuarial projections and may result in a larger loss than estimated. Any increase in loss would be recognized in the period in which the loss is determined and would increase 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. Our income tax expense reflects an estimate of the cash taxes we expect to pay for the current year, as well as a provision for changes arising in the values of future tax assets and liabilities during the year. The tax value of these assets and liabilities is impacted by factors such as accounting estimates inherent in these balances, our expectations about future operating results, and possible audits of our tax filings by regulatory authorities. We assess the likelihood of recovering value from future tax assets such as loss carryforwards on a regular basis, as well as the future tax depreciation of capital assets, and may establish a valuation provision. If our estimates or assumptions change from those used in our current valuation, we may be required to recognize an adjustment in future periods that would increase or decrease our future income tax asset or liability and increase or decrease our income tax expense.

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

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

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

Accounting Developments

Canadian

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 variable interest entities 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.

Financial Instruments, Equity, and Comprehensive Income. In January 2005, the CICA issued the new handbook Section 3855, “Financial Instruments—Recognition and Measurement”; 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 and will require the following:

- Financial assets will be classified as either loans or receivables, held to maturity, held for trading, or available for sale. Held-to-maturity classification will be restricted to fixed maturity instruments that we intend and are able to hold to maturity and will be accounted for at amortized cost. Held-for-trading instruments will be recorded at fair value, with realized and unrealized gains and losses reported in net income. The remaining financial assets will be classified as available for sale. These assets will be recorded at fair value, with unrealized gains and losses reported in a new category of the consolidated balance sheets under shareholders’ equity called “Other Comprehensive Income” until the financial asset is disposed, at which time the realized gains or losses will be recognized in net income. Upon the initial adoption of these recommendations in fiscal 2007, our investments held for self-insured liabilities will be reflected as investments available for sale.

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

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

Upon our initial adoption of these recommendations in fiscal 2007, accumulated other comprehensive income will be included on our consolidated balance sheets as a separate component of shareholders’ equity. Accumulated other comprehensive income will include, on a net of tax basis, net unrealized gains and losses on available-for-sale financial assets and unrealized foreign currency translation gains and losses on self-sustaining foreign operations, which is currently reflected in our cumulative translation account.

The impact of recording our investment held for self-insured liabilities at fair value on January 1, 2007, will be to increase other assets by approximately $493,000 and increase opening accumulated other comprehensive income by approximately $481,000 (after-tax). Accumulated other comprehensive income will also increase by the $24.8 million balance currently reported in our cumulative translation account. Prior periods will not be restated.

Accounting Changes. In July 2006, the CICA issued the new handbook Section 1506, “Accounting Changes,” effective for annual and interim periods beginning on or after January 1, 2007. This section establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and the correction of errors. It includes the disclosure, on an interim and annual basis, of a description and the impact on our financial results of any new primary source of GAAP that has been issued but is not yet effective. This new section is not expected to have a material effect on our financial position or on the results of our operations.

Financial Instruments—Disclosure and Presentation. In November 2006, the CICA issued the new handbook Section 3862, "Financial Instruments—Disclosures," and Section 3863, "Financial Instruments—Presentation," effective for annual and interim periods beginning on or after October 1, 2007. These pronouncements further aligned Canadian GAAP with US GAAP. Early adoption of these recommendations is permitted. Section 3862 requires companies to provide disclosures in their financial statements that enable users to evaluate a) the significance of financial instruments for the company's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the company is exposed during the period and at the balance sheet date and how the company manages those risks. Section 3863 establishes standards for the presentation of financial instruments. It addresses the classification of financial instruments between liabilities and equity; the classification of related interest, dividends, and losses and gains; and the circumstances in which financial assets and financial liabilities are offset. These new standards are not expected to have a material effect on our financial position or on the results of our operations.

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

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

United States

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

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

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

Materiality

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

Definition of Non-GAAP Measures

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

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

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

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

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

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

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

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

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

Operating Risks

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

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 2006 subconsultant costs accounted for approximately 8.6% (2005 – 9.6%) 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 professional surveying, resident engineering services, field data surveys and collection, archeology, plant start-up and testing, and plant operations. Certain weather conditions and natural or other disasters, such as fires, floods, influenza pandemics, and similar events, may cause postponements in the initiation and/or completion of our field activities and may hinder the ability of our office employees to arrive at work, which may result in a delay or elimination of revenue that otherwise would have been recognized while certain costs continued to be incurred. Adverse weather conditions or disasters may also delay or eliminate our initiation and/or completion of the various phases of work relating to other engineering services that commence concurrent with or subsequent to our field activities. Any delay in the completion of our field, office, and/or other activities may require us to incur additional costs attributable to overtime work necessary to meet our client's required schedule. Due to various factors, a delay in the commencement or completion of a project may also result in the cancellation of the contract. As a result, our net revenue and profitability may be adversely affected.

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

As of December 31, 2006, our backlog was approximately $685 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 75% of the dollar value of our contracts in 2006 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’s attention from normal business operations, divert financial resources to the defense of such claims, or result in significant attorney fees and damage awards for which we may not be fully insured and which could harm our reputation. Any of these circumstances could adversely affect our profitability.

Our 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' and 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.

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

Inadequate internal controls or disclosure controls over financial reporting could result in material misstatement in our financial statements and related public disclosures. Such inadequate controls could also result in system downtime, backlogs, fraud, or the inability to continue our business operations. We have a dedicated in-house Compliance team that is responsible for ongoing control documentation and the evaluation of internal controls.

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

Fraud may occur and remain undetected resulting in a loss of assets and/or misstatement in our financial statements and related public disclosures. We have implemented various business conduct policies addressing potential fraud risks, including our Code of Ethics, Conflict of Interest, and Whistleblower policies. Our Compliance team reviews fraud as part of its control evaluation program.

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 business since our clients may curtail investment in infrastructure projects.

Demand for the services we offer has been, and is expected to continue to be, subject to significant fluctuations due to a variety of factors beyond our control, including economic conditions. During economic downturns, the ability of both private and 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.

In 2006, 34.5% (2005 – 33.8%) of our gross revenue was 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 30 and 55% of our gross revenue during the years ended December 31, 2003, through December 31, 2006, 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 for our common shares on the TSX and New York Stock Exchange (NYSE) during the 52 weeks ended December 31, 2006, were $25.84 and $18.50, respectively, and US$22.55 and US$16.33, respectively.

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

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

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

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

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, 2006; December 31, 2005; December 31, 2004; and December 31, 2003, for C$1.00 were US$0.88, US$0.83, US$0.76, and US$0.71, respectively. Furthermore, this volatility may continue in the future, and, as discussed above, increases in the strength of the Canadian dollar relative to the US dollar may have a negative impact on the results of our operations.

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

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

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

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

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

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

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 24 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 into the existing operations of Stantec and so may not realize the anticipated benefits of the acquisition.

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

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

An acquired company's customers may, in response to the announcement of the acquisition, delay or defer decisions concerning their use of the company's services because of uncertainties related to the

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

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

The ability to attract and retain trained professionals is one of the key drivers of our business and results. Therefore, the success of an acquisition depends in part on our ability to retain key employees of the acquired firm. Competition for qualified staff can be very intense. In addition, key employees may depart because of issues relating to the uncertainty and difficulty of the completion of the acquisition, 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 40.0% 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 the actual performance of each of our reporting units compared to our expectations and update our future expectations for such reporting units. An impairment of goodwill would be recorded as a charge in our income statement, which could have a material effect on our earnings.

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. 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 2006 we completed a number of employee-focused activities, including the expansion of our Learning Resource Center with updated content and new in-house programs and training. Launched in 2005, the center is the on-line source for all our learning resources, providing access to programs and material on topics such as employee orientation, people skills and leadership, project management, risk mitigation,

business development, and financial management, among others. As well, 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.

CONTROLS AND PROCEDURES

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

Under the supervision and with the participation of management, including our CEO and CFO, we carried out an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2006 (as defined in rules adopted by the SEC in the United States and as defined in Canada by Multilateral Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings). Based on this evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures were effective.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with generally accepted accounting principals. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of our financial reporting and of the preparation of our financial statements. Accordingly, management, including our CEO and CFO, does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. Management's Annual Report on Internal Control over Financial Reporting and the Independent Auditors' Report on Internal Controls are included in our 2006 consolidated financial statements.

There has been no change in our internal control over financial reporting during the year ended December 31, 2006, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

CORPORATE GOVERNANCE

Disclosure Committee

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

Board of Directors

Stantec's Board of Directors presently includes eight members, six of whom are independent under Canadian securities laws and under the rules of the U.S. Securities and Exchange Commission (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 our Company or our 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 2006 Stantec's board included two committees—the Audit Committee and the Corporate Governance and Compensation Committee. Both committees are composed entirely of unrelated, independent directors.

Audit Committee

The Audit Committee monitors, evaluates, approves, and makes recommendations on matters affecting Stantec's external audit, financial reporting, and accounting control policies. The committee met five times in 2006. 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 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 2006. The chairman of the committee provides regular reports at the Company's board meetings.

More information about Stantec's corporate governance can be found on our web site (www.stantec.com) and in the Management Information Circular for our May 3, 2007, 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.

Management Report

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

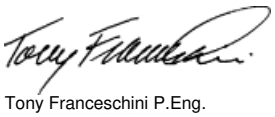
The Board of Directors is responsible for ensuring that management fulfills its responsibilities and for final approval of the annual consolidated financial statements. The Board has appointed an Audit Committee comprising three Directors, none of whom is an officer or employee of the Company or its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

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

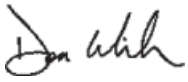
Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in Internal Control —Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at December 31, 2006.

Ernst & Young LLP, which has audited the consolidated statements of the Company for the year ended December 31, 2006, has also issued a report on management's assessment of the Company's internal control over financial reporting.



Tony Franceschini P.Eng.
President & CEO
February 21, 2007



Don Wilson CA
Vice President & CFO
February 21, 2007

Independent Auditors' Report on Internal Controls

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

To the Shareholders of Stantec Inc.

We have audited management's assessment, included in Management's Annual Report on Internal Control over Financial Reporting, that Stantec Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Stantec Inc's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

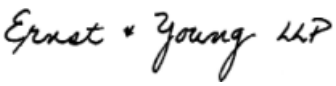
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material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

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

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

In our opinion, management's assessment that Stantec Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Stantec Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Stantec Inc. as at December 31, 2006 and 2005 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, 2006 and our report dated February 21, 2007 expressed an unqualified opinion thereon.



Chartered Accountants
Edmonton, Canada
February 21, 2007

Management Report

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

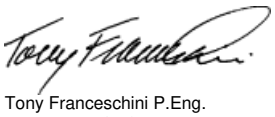
The Board of Directors is responsible for ensuring that management fulfills its responsibilities and for final approval of the annual consolidated financial statements. The Board has appointed an Audit Committee comprising three Directors, none of whom is an officer or employee of the Company or its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

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

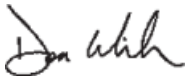
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Ernst & Young LLP, which has audited the consolidated statements of the Company for the year ended December 31, 2006, has also issued a report on management's assessment of the Company's internal control over financial reporting.



Tony Franceschini P.Eng.
President & CEO
February 21, 2007



Don Wilson CA
Vice President & CFO
February 21, 2007

Independent Auditors' Report on Financial Statements

To the Shareholders of Stantec Inc.

We have audited the consolidated balance sheets of Stantec Inc. as at December 31, 2006 and 2005 and the consolidated statements of income and retained earnings and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

We have also audited, in accordance with the Standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2007, expressed an unqualified opinion thereon.

Ernst & Young LLP

Chartered Accountants
Edmonton, Canada
February 21, 2007

Independent Auditors' Report on Internal Controls

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

To the Shareholders of Stantec Inc.

We have audited management's assessment, included in Management's Annual Report on Internal Control over Financial Reporting, that Stantec Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Stantec Inc's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

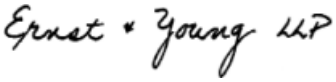
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material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

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

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

In our opinion, management's assessment that Stantec Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Stantec Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Stantec Inc. as at December 31, 2006 and 2005 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, 2006 and our report dated February 21, 2007 expressed an unqualified opinion thereon.



Chartered Accountants
Edmonton, Canada
February 21, 2007

Stantec Inc.
Consolidated Balance Sheets

	As at December 31	
	2006 $	2005 $
	(In thousands of Canadian dollars)	
ASSETS *[note 8]*		
Current		
Cash and cash equivalents	**28,363**	28,143
Restricted cash *[note 2]*	**1,545**	21,312
Accounts receivable, net of allowance for doubtful accounts of $7,379 in 2006 ($16,053 – 2005)	**168,474**	137,928
Costs and estimated earnings in excess of billings	**39,924**	66,172
Prepaid expenses	**6,591**	5,420
Future income tax assets *[note 14]*	**9,711**	14,827
Other assets *[note 6]*	**8,228**	6,569
Total current assets	**262,836**	280,371
Property and equipment *[note 3]*	**65,009**	58,519
Goodwill *[note 4]*	**251,491**	242,674
Intangible assets *[note 5]*	**22,819**	27,304
Future income tax assets *[note 14]*	**9,984**	6,814
Other assets *[note 6]*	**18,338**	13,097
Total assets	**630,477**	628,779
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *[note 7]*	**107,132**	106,757
Billings in excess of costs and estimated earnings	**28,721**	24,251
Income taxes payable	**3,432**	4,441
Current portion of long-term debt *[note 8]*	**4,181**	4,813
Future income tax liabilities *[note 14]*	**12,236**	17,552
Total current liabilities	**155,702**	157,814
Long-term debt *[note 8]*	**12,046**	81,886
Other liabilities *[note 9]*	**33,561**	24,764
Future income tax liabilities *[note 14]*	**18,273**	16,262
Total liabilities	**219,582**	280,726
Commitments, contingencies, and guarantees *[notes 2, 8, 10, and 11]*		
Shareholders'equity		
Share capital *[note 12]*	**212,781**	210,604
Contributed surplus *[note 12]*	**5,458**	5,522
Cumulative translation account *[note 13]*	**(24,844)**	(25,575)
Deferred stock compensation	**(250)**	(833)
Retained earnings	**217,750**	158,335
Total shareholders'equity	**410,895**	348,053
Total liabilities and shareholders' equity	**630,477**	628,779

See accompanying notes

On behalf of the Board:



Director



Director

Stantec Inc.
Consolidated Statements of Income and Retained Earnings

	Years Ended December 31		
	2006 $	2005 $	2004 $
	(In thousands of Canadian dollars, except per share amounts)		
Income			
Gross revenue	**816,133**	618,020	520,879
Less subconsultant and other direct expenses	**108,206**	93,468	71,728
Net revenue	**707,927**	524,552	449,151
Direct payroll costs	**304,677**	234,553	205,513
Gross margin	**403,250**	289,999	243,638
Administrative and marketing expenses *[notes 12 and 20]*	**292,064**	212,992	183,894
Depreciation of property and equipment	**15,604**	12,389	11,986
Amortization of intangible assets	**6,132**	2,542	927
Net interest expense *[note 8]*	**1,892**	571	2,805
Share of income from associated companies	**(285)**	(187)	(385)
Foreign exchange gains	**(74)**	(449)	(94)
Other income	**(1,507)**	(359)	(155)
Income before income taxes	**89,424**	62,500	44,660
Income taxes *[note 14]*			
Current	**31,484**	21,735	18,065
Future	**(2,242)**	143	(3,595)
Total income taxes	**29,242**	21,878	14,470
Net income for the year	**60,182**	40,622	30,190
Retained earnings, beginning of the year	**158,335**	117,874	88,266
Shares repurchased *[note 12]*	**(767)**	(161)	(582)
Retained earnings, end of the year	**217,750**	158,335	117,874
Earnings per share *[notes 12 and 15]*			
Basic	**1.34**	1.02	0.82
Diluted	**1.31**	0.99	0.79

See accompanying notes

Stantec Inc.
Consolidated Statements of Cash Flows

	Years Ended December 31		
	2006 $	2005 $	2004 $
	(In thousands of Canadian dollars)		
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash receipts from clients	**816,846**	637,391	568,897
Cash paid to suppliers	**(221,056)**	(200,445)	(169,573)
Cash paid to employees	**(467,766)**	(355,621)	(313,321)
Dividends from equity investments	**450**	550	300
Interest received	**6,292**	6,531	6,426
Interest paid	**(7,665)**	(6,551)	(8,639)
Income taxes paid	**(37,588)**	(28,882)	(10,530)
Income taxes recovered	**3,876**	4,341	3,791
Cash flows from operating activities *[note 16]*	**93,389**	57,314	77,351
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired *[note 2]*	**(12,181)**	(100,383)	(18,845)
Restricted cash used for acquisitions *[note 2]*	**19,793**	9,000	–
Increase in investments held for self-insured liabilities	**(4,355)**	(7,295)	(9,562)
Proceeds on disposition of investments	**9**	522	55
Collection of notes receivable from disposition of Technology and Design Build segments	–	406	1,014
Purchase of property and equipment	**(18,920)**	(17,005)	(17,488)
Proceeds on disposition of property and equipment	**104**	155	34,672
Cash flows used in investing activities	**(15,550)**	(114,600)	(10,154)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Repayment of long-term debt	**(85,612)**	(46,875)	(35,546)
Proceeds from long-term borrowings	**9,142**	95,929	13,960
Repayment of acquired bank indebtedness *[note 2]*	**(1,787)**	–	–
Net change in bank indebtedness financing	**–**	–	(17,151)
Repurchase of shares for cancellation *[note 12]*	**(1,016)**	(195)	(720)
Share issue costs *[note 12]*	**–**	(1,969)	–
Proceeds from issue of share capital *[note 12]*	**1,865**	961	3,490
Cash flows from (used in) financing activities	**(77,408)**	47,851	(35,967)
Foreign exchange loss on cash held in foreign currency	**(211)**	(312)	(683)
Net increase (decrease) in cash and cash equivalents	**220**	(9,747)	30,547
Cash and cash equivalents, beginning of the year	**28,143**	37,890	7,343
Cash and cash equivalents, end of the year	**28,363**	28,143	37,890

See accompanying notes

Stantec Inc.
Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

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

Generally accepted accounting principles

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP). These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below. The effects of differences between the application of Canadian and United States GAAP on the financial statements of the Company are described in note 21.

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.

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.

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 to a maximum of 15 years or the improvement's economic life
Buildings	4–5%	declining balance

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

From time to time, the Company enters into or renegotiates premises operating leases that result in the receipt of lease inducement benefits. These benefits are accounted for as a reduction of rental expense over the terms of the associated leases. As well, from time to time the Company enters into or renegotiates premises operating leases that include escalation clauses. The scheduled rent increases pursuant to lease escalation clauses are recognized on a straight-line basis over the lease term.

Goodwill and intangible assets
The cost of intangible assets with finite lives is amortized over the period in which the benefits of such assets are expected to be realized, principally on a straight-line basis. The Company's policy is to amortize client relationships with determinable lives over periods ranging from 10 to 15 years. Contract backlog is amortized over estimated contractual lives of generally less than one and a half years. Other intangible assets include technology, non-compete agreements, and advantageous leasehold commitments, which are amortized over estimated lives of 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, employing factors such as expected future asset utilization, business climate, and future undiscounted cash flows expected to result from the use of the related assets. An impairment loss would be recognized if the carrying value of 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 use 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. Revenue does not include taxes collected from clients that are reimbursable to government authorities.

Employee benefit plans
The Company contributes to group retirement savings plans and an employee share purchase plan based on the amount of employee contributions subject to maximum limits per employee. The Company accounts for such defined contributions as an expense in the period in which the contributions are made. The expense recorded in 2006 was $11,567,000 (2005 – $8,436,000; 2004 – $7,311,000). 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 month. 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 month. 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 (described in note 12) and accounts for grants under this plan in accordance with the fair value-based method of accounting for stock-based compensation. Compensation expense for stock options awarded under the plan is measured at the fair value at the grant date using the Black-Scholes valuation model and is recognized over the vesting period of the options granted. The Company estimates its forfeiture rate in order to determine its compensation expense arising from stock-based awards. In years prior to January 1, 2002, the Company recognized no compensation expense when shares or stock options were issued.

Income taxes
The Company uses the liability method to account for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and the tax bases of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when these differences are expected to reverse.

Earnings per share
Basic earnings per share is computed based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed using the treasury stock method, which assumes that the cash that would be received on the exercise of options is applied to purchase shares at the average price during the year and that the difference between the shares issued on the exercise of options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding. The impact of outstanding restricted shares, on a weighted average basis, is also added to the number of shares outstanding. Antidilutive options are not considered in computing diluted earnings per share.

Allowance for doubtful accounts
The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on its accounts receivable. The Company uses estimates in arriving at its allowance for doubtful accounts that are based, primarily, on the age of the outstanding accounts receivable and on its historical collection and loss experience.

Recent accounting pronouncements
a) Financial instruments, equity, and comprehensive income
In January 2005, the CICA issued the new handbook Section 3855, “Financial Instruments—Recognition and Measurement”; 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 21) and will require the following:

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

recognized in net income. Upon the initial adoption of these recommendations in fiscal 2007, the Company's investments held for self-insured liabilities will be reflected as investments available for sale.

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

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

Upon the initial adoption of these recommendations in fiscal 2007, accumulated other comprehensive income will be included on the consolidated balance sheets as a separate component of shareholders'equity. Accumulated other comprehensive income will include, on a net of tax basis, net unrealized gains and losses on available-for-sale financial assets as well as unrealized foreign currency translation gains and losses on self-sustaining foreign operations, which is currently reflected in the Company's cumulative translation account.

The impact of recording the Company's investment held for self-insured liabilities at fair value on January 1, 2007, will be to increase other assets by approximately $493,000 and increase opening accumulated other comprehensive income by approximately $481,000 (after-tax). Accumulated other comprehensive income will also decrease by the $24,844,000 balance currently reported in the Company's cumulative translation account. Prior periods will not be restated.

b) Accounting changes
In July 2006, the CICA issued the new handbook Section 1506, "Accounting Changes," effective for annual and interim periods beginning on or after January 1, 2007. This section establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and the correction of errors. The disclosure is to include, on an interim and annual basis, a description and the impact on the Company of any new primary source of GAAP that has been issued but is not yet effective. This new standard is not expected to have a material effect on the Company's financial position or results of operations.

c) Financial instruments—disclosure and presentation
In November 2006, the CICA issued the new handbook Section 3862, "Financial Instruments—Disclosures," and Section 3863, "Financial Instruments—Presentation," effective for annual and interim periods beginning on or after October 1, 2007. These pronouncements further aligned Canadian GAAP with US GAAP (note 21). Early adoption of these recommendations is permitted. Section 3862 requires companies to provide disclosures in their financial statements that enable users to evaluate a) the significance of financial instruments for the company's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the company is exposed during the period and at the balance sheet date and how the company manages these risks. Section 3863 establishes standards for the presentation of financial instruments. It addresses the classification of financial instruments between liabilities and equity; the classification of related interest, dividends, and losses and gains; and the circumstances in which financial assets and financial liabilities are offset. These new standards are not expected to have a material effect on the Company's financial position or results of operations.

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

e) International financial reporting standards
The CICA plans to converge Canadian GAAP for public companies with International Financial Reporting Standards (IFRS) over a transition period that is expected to end in 2011. The impact of the transition to IFRS on the Company’s consolidated financial statements has not yet been determined.

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, 2006, there is no contingent consideration that may be payable in 2007 or future years (2005 – $9,000). Additional consideration is recorded as additional goodwill in the period in which the contingency is resolved.

Acquisitions in fiscal 2006
On March 6, 2006, the Company acquired the shares and business of Carinci Burt Rogers Engineering, Inc. for cash consideration and promissory notes. This acquisition supplemented the Company’s buildings engineering capabilities and presence in the Greater Toronto Area.

On April 14, 2006, the Company acquired the shares and business of Dufresne-Henry, Inc. for cash consideration and promissory notes. Along with complementing the Company’s New York operations, the acquisition expanded its services into four new states in New England and created an initial platform for growth in Florida. Dufresne-Henry, Inc.’s staff offer professional services in engineering, planning, environmental sciences, and landscape architecture.

On May 12, 2006, the Company acquired the shares and business of ACEx Technologies, Inc. for cash consideration and promissory notes. This acquisition complemented the Company's services in the areas of transit, rail and power communications, and control systems engineering and added new locations in Oakland, California, and Irving, Texas.

During 2006, the Company adjusted the purchase price on the Dunlop Architects Inc. (2004), CPV Group Architects & Engineers Ltd. (2005), Keen Engineering Co. Ltd. (2005), Carinci Burt Rogers Engineering, Inc. (2006), Dufresne-Henry, Inc. (2006), and ACEx Technologies, Inc. (2006) acquisitions pursuant to price adjustment clauses included in the purchase agreements.

During 2006, the purchase price allocations for the CPV Group Architects & Engineers Ltd., The Keith Companies, Inc. (Keith), the Keen Engineering Co. Ltd., and the Carinci Burt Rogers Engineering, Inc. acquisitions were finalized. The purchase price allocations for the Dufresne-Henry, Inc. and ACEx Technologies, Inc. acquisitions have not yet been finalized. The Company expects to finalize the purchase price allocations for the Dufresne-Henry, Inc. and ACEx Technologies, Inc. acquisitions during the first quarter of 2007.

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 strengthened the Company's architecture and interior design presence in Canada.

On September 15, 2005, the Company acquired the shares and business of Keith for a combination of cash consideration and Stantec common shares. Under the terms of the agreement, the number of common shares issued (6,657,552) 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 supplemented the Company's urban land development services group along with increasing its 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 supplemented the Company's building design services in Canada and the western United States.

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.

Aggregate consideration paid
Details of the aggregate consideration given and of the fair values of net assets acquired or adjusted for are as follows:

	Total 2006 $000s	Keith 2005 $000s	Other 2005 $000s	Total 2005 $000s
Cash consideration	**13,321**	107,062	11,200	118,262
Share consideration	**–**	125,540	–	125,540
Promissory notes	**6,308**	–	2,753	2,753
Purchase price	**19,629**	232,602	13,953	246,555
Assets and liabilities acquired at fair values				
Cash acquired	**1,140**	22,075	–	22,075
Restricted cash acquired	**–**	30,882	–	30,882
Bank indebtedness assumed	**(1,787)**	**–**	(4,196)	(4,196)
Non-cash working capital	**12,294**	9,747	3,929	13,676
Property and equipment	**3,078**	5,751	991	6,742
Investments	**–**	32	–	32
Goodwill	**8,306**	149,844	12,218	162,062
Other long-term assets	**–**	554	–	554
Intangible assets				
Client relationships	**1,219**	17,476	947	18,423
Contract backlog	**388**	3,995	1,053	5,048
Other	**101**	669	(139)	530
Other long-term liabilities	**(2,146)**	(1,380)	243	(1,137)
Long-term debt	**(551)**	–	(745)	(745)
Future income taxes	**(2,413)**	(8,226)	(348)	(8,574)
Deferred stock compensation	**–**	1,183	–	1,183
Net assets acquired	**19,629**	232,602	13,953	246,555

All of the goodwill is non-deductible for income tax purposes.

At the time of acquisition, management estimates the exit costs of downsizing or closing offices occupied by the acquired entity. These costs are accrued in other long-term liabilities as part of the purchase price allocation (note 9).

Pro forma data
The following unaudited pro forma data presents information as if the acquisitions of CPV Group Architects & Engineers Ltd., Keith, Keen Engineering Co. Ltd., Carinci Burt Rogers Engineering, Inc., Dufresne-Henry, Inc., and ACEx Technologies, Inc. had occurred on January 1, 2005. This unaudited pro forma data is provided for information purposes only and is based on historical information. This unaudited pro forma data does not necessarily reflect the actual results of operations that would have occurred if these acquired entities and Stantec Inc. had comprised a single entity during the periods since January 1, 2005, nor is it necessarily indicative of the future results of the operations of the combined entities.

	2006	2005
	(In thousands of Canadian dollars, except per share amounts) (Unaudited)	
Pro forma gross revenue	**830,356**	799,545
Pro forma net revenue	**719,371**	684,215
Pro forma net income	**59,987**	49,289
Basic pro forma earnings per share	**1.33**	1.11
Diluted pro forma earnings per share	**1.31**	1.08

3. Property and Equipment

	2006		2005	
	Cost $000s	Accumulated Depreciation $000s	Cost $000s	Accumulated Depreciation $000s
Engineering equipment	**48,783**	**27,454**	42,560	22,736
Business information systems	**13,755**	**7,097**	11,475	4,237
Office equipment	**25,315**	**12,760**	23,030	10,071
Automotive equipment	**6,765**	**3,850**	5,263	2,867
Leasehold improvements	**20,240**	**4,244**	14,226	2,053
Buildings	**5,574**	**913**	4,204	704
Land	**895**	**–**	429	–
	121,327	**56,318**	101,187	42,668
Net book value	**65,009**		58,519	

Included in leasehold improvements is construction work in progress in the amount of $292,000 (2005 – buildings – $337,000) on which depreciation has not started.

4. Goodwill

	2006 $000s	2005 $000s
Goodwill, beginning of the year	**242,674**	84,694
Current year acquisitions	**6,618**	160,840
Additional purchase price payments	**–**	700
Other purchase price adjustments	**1,688**	522
Impact of foreign exchange	**511**	(4,082)
Goodwill, end of the year	**251,491**	242,674

5. Intangible Assets

	2006		2005	
	Gross Carrying Amount $000s	Accumulated Amortization $000s	Gross Carrying Amount $000s	Accumulated Amortization $000s
Client relationships	**26,140**	**4,692**	24,914	2,232
Contract backlog	**4,316**	**3,587**	4,900	1,219
Other	**948**	**306**	1,218	277
	31,404	**8,585**	31,032	3,728
Carrying amount	**22,819**		27,304	

Once an intangible asset is fully amortized, the gross carrying amount and related accumulated amortization are removed from the accounts. Other than goodwill, the Company has not recorded any intangible assets with indefinite lives. For intangible assets held as of December 31, 2006, the estimated aggregate amortization expense for each of the next five years is as follows:

	$000s
2007	3,435
2008	2,706
2009	2,642
2010	2,483
2011	2,470
Thereafter	9,083
	22,819

6. Other Assets

	2006 $000s	2005 $000s
Investments held for self-insured liabilities	**22,720**	16,857
Investments in associated companies	**1,347**	1,545
Investments – other	**823**	710
Other	**1,676**	554
	26,566	19,666
Less current portion of investments held for self-insured liabilities	**8,228**	6,569
	18,338	13,097

Investments held for self-insured liabilities consist of government and corporate bonds of $15,589,000 (2005 – $14,013,000) and equity securities of $7,131,000 (2005 – $2,844,000). The bonds bear interest at rates ranging from 2.9 to 7.0% per annum (2005 – 3.0 to 6.8%). The estimated fair value of the bonds at December 31, 2006, was $15,458,000 (2005 – $13,721,000) and of the equities was $7,755,000 (2005 –$3,406,000). The term to maturity of the bond portfolio is $1,861,000 (2005 – $373,000) due within one year, $12,005,000 (2005 – $9,693,000) due from two to five years, and $1,723,000 (2005 – $3,947,000) due from six to 10 years.

7. Accounts Payable and Accrued Liabilities

	2006 $000s	2005 $000s
Trade accounts payable	**26,188**	26,784
Employee and payroll liabilities	**63,771**	52,314
Accrued liabilities	**17,173**	27,659
	107,132	106,757

8. Long-Term Debt

	2006 $000s	2005 $000s
Non-interest-bearing note payable	**134**	122
Other notes payable	**7,935**	5,643
Bank loan	**8,158**	79,035
Mortgages payable	**–**	1,706
Other	**–**	193
	16,227	86,699
Less current portion	**4,181**	4,813
	12,046	81,886

The non-interest-bearing note payable is due November 1, 2027, in the amount of $933,000. The note's carrying value of $134,000 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, 2006, the fair value of the note would be $203,000 (2005 – $184,000).

The carrying values of the other notes payable have been calculated using a weighted average rate of interest of 4.7% and may be supported by promissory notes. The notes are due at various times from 2007 to 2009. The aggregate maturity value of the notes is $8,154,000 (2005 – $5,985,000). As at December 31, 2006, $1,357,000 of the notes'carrying value was payable in US funds (US$1,164,000). As at December 31, 2005, there were no US-dollar notes outstanding. The carrying value of the other notes payable approximates their fair value based on interest rates in effect at December 31, 2006.

The Company has a revolving credit facility in the amount of $160 million that expires on August 31, 2009. This facility is available for acquisitions, working capital needs, capital expenditures, and general corporate purposes. Depending on the form under which the credit facility is accessed, rates of interest will vary between Canadian prime, US base rate, or LIBOR rate or bankers acceptance rates plus 65 or 85 basis points. As at December 31, 2006, $8,158,000 of the bank loan was payable in US funds (US$7,000,000). As at December 31, 2005, $29,075,000 of the bank loan was payable in US funds (US$25,000,000). Loans may be repaid under the credit facility from time to time at the option of the Company. The average interest rate applicable at December 31, 2006, was 6.00% (2005 – 4.34%). The credit facility agreement contains restrictive covenants, including, but not limited to, debt to earnings ratio and earnings to debt service ratio. The Company was in compliance with all the covenants under this agreement as at and throughout the year ended December 31, 2006. All the assets of the Company are held as collateral under a general security agreement for the bank loan.

The funds available under the revolving credit facility are reduced by any outstanding letters of credit. At December 31, 2006, the Company had issued and outstanding letters of credit totaling $1,949,000 (2005 – $1,070,000) that expire at various dates before January 2008. These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations. At December 31, 2006, $149,893,000 was available in the revolving credit facility for future activities.

In 2006 the Company paid out in full all mortgages payable. The average interest rate applicable at December 31, 2005, was 7.67%.

The principal repayments required on long-term debt in each of the next five years and thereafter are as follows:

	$000s
2007	4,181
2008	3,032
2009	8,880
2010	–
2011	–
Thereafter	134
	16,227

The interest incurred on long-term debt in 2006 was $2,612,000 (2005 – $2,000,000; 2004 – $2,219,000). In 2006 total interest expense, net of interest income, was $1,892,000 (2005 – $571,000; 2004 – $2,805,000).

9. Other Liabilities

	2006 $000s	2005 $000s
Provision for self-insured liabilities	**16,041**	11,346
Deferred gain on sale leaseback	**6,187**	6,624
Lease inducement benefits	**10,499**	7,997
Liabilities on lease exit activities	**2,833**	2,251
Other	**2,333**	1,021
	37,893	29,239
Less current portion included in accrued liabilities	**4,332**	4,475
	33,561	24,764

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 2006 and 2005, with the current and long-term portion determined based on the actuarial estimate provided. At December 31, 2006, the long-term portion was $14,492,000 (2005 – $10,288,000).

	2006 $000s	2005 $000s
Provision, beginning of the year	**11,346**	5,236
Current year provision	**6,329**	8,244
Payment for claims settlement	**(2,087)**	(2,134)
Impact of foreign exchange	**453**	–
Provision, end of the year	**16,041**	11,346

The self-insured liability increased during 2006 primarily due to new claims incurred and reported since the end of 2005. Claim settlements of $2,087,000 were made in 2006 (2005 – $2,134,000). The timing of such settlement payments is dependent upon the resolution of case-specific matters and may extend over several months or years.

Deferred gain on sale leaseback

In 2004 the Company completed the sale of its office building in Edmonton, Alberta, (included in buildings and land) for cash proceeds of $34,500,000. Concurrent with the sale, the Company leased the property back for a period of 15 years. The lease is accounted for as an operating lease. The resulting gain of $7,103,000 was deferred and is being amortized over the lease term.

Liabilities on lease exit activities

Charges are accrued when management closes offices in existing operations or finalizes plans to downsize offices in locations assumed from an acquiree upon a business acquisition. Included in the liability is the present value of the remaining lease payments, reduced by estimated sublease rentals that can reasonably be obtained.

	2006 $000s	2005 $000s
Liability, beginning of the year	**2,251**	2,817
Current year provision:		
Established for existing operations	**96**	609
Resulting from acquisitions	**2,146**	276
Payment or reductions:		
Impacting administrative and marketing expenses	**(1,649)**	(1,103)
Impacting the purchase price allocation	**–**	(325)
Impact of foreign exchange	**(11)**	(23)
Liability, end of the year	**2,833**	2,251

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
2007	35,748
2008	30,365
2009	27,136
2010	23,739
2011	19,294
Thereafter	74,678
	210,960

The premise rental expense for the year ended December 31, 2006, was $35,724,000 (2005 – $29,282,000; 2004 – $25,116,000).

In connection with acquisitions performed in the year, we entered into commitments to pay retention bonuses of $5.1 million over the next three years to May 13, 2009.

11. Contingencies and Guarantees

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

In the normal course of business, the Company provides indemnifications and, in very limited circumstances, bonds, which are often standard contractual terms, to counterparties in transactions such as purchase and sale contracts for assets or shares, service agreements, and leasing transactions. The Company also indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. These indemnifications may require the Company to compensate the counterparty for costs incurred as a result of various events, including changes in or in the interpretation of laws and regulations, or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnifications will vary based upon the contract, the nature of which prevents the Company from making a reasonable estimate of the maximum potential amount that it could be required to pay to counterparties. The Company carries liability insurance, subject to certain deductibles and policy limits, that provides protection against certain insurable indemnifications. Historically, the Company has not made any significant payments under such indemnifications, and no amounts have been accrued in the accompanying consolidated financial statements with respect to these indemnifications.

12. Share Capital

Authorized

Unlimited	Common shares, with no par value
Unlimited	Preferred shares issuable in series with attributes designated by the Board of Directors

Common shares issued and outstanding

	Capital Stock						Contributed Surplus		
	2006		2005		2004		2006	2005	2004
	Shares #	$000s	Shares #	$000s	Shares #	$000s	$000s	$000s	$000s
Balance, beginning of the year	**44,626,262**	**210,604**	37,742,170	87,656	36,654,568	84,281	**5,522**	2,544	1,842
Share options exercised for cash	**607,080**	**1,865**	240,140	961	1,146,202	3,490			
Stock-based compensation expense							**1,078**	963	725
Shares repurchased under Normal Course Issuer Bid	**(51,600)**	**(243)**	(13,600)	(33)	(58,600)	(134)	**(6)**	(1)	(4)
Reclassification of fair value of stock options previously expensed		**239**		159		19	**(239)**	(159)	(19)
Shares issued on acquisition	**–**	**–**	6,657,552	123,365	–	–			
Shares issued on vesting of restricted shares	**20,043**	**316**	–	–	–	–	**(897)**	–	–
Restricted shares issued on acquisition							**–**	2,175	–
Share issue costs		**–**		(1,504)		–			
Balance, end of the year	**45,201,785**	**212,781**	44,626,262	210,604	37,742,170	87,656	**5,458**	5,522	2,544

During 2006, 51,600 common shares (2005 – 13,600; 2004 – 58,600) were repurchased for cancellation pursuant to an ongoing Normal Course Issuer Bid at a cost of $1,016,000 (2005 – $195,000; 2004 –$720,000). Of this amount, $243,000 and $6,000 (2005 – $33,000 and $1,000; 2004 – $134,000 and $4,000) reduced the share capital and contributed surplus accounts, respectively, with $767,000 (2005 –$161,000; 2004 – $582,000) being charged to retained earnings.

During 2006, the Company did not incur any share issue costs. During 2005, the Company incurred share issue costs of $1,969,000 less a future tax recovery of $465,000.

During 2006, the Company recognized a stock-based compensation expense of $2,224,000 (2005 –$1,814,000; 2004 – $1,014,000) in administrative and marketing expenses. Of the amount expensed, $1,078,000 related to the fair value of options granted (2005 – $963,000; 2004 – $725,000), $576,000 related to deferred share unit compensation (2005 – $519,000; 2004 – $289,000), and $570,000 related to the restricted shares issued on the Keith acquisition (2005 – $332,000). The fair value of options granted was reflected through contributed surplus; the deferred share unit compensation was reflected through accrued liabilities; and the restricted shares were reflected through deferred stock compensation. Upon the exercise of share options for which a stock-based compensation expense has been recognized, the cash paid together with the related portion of contributed surplus is credited to share capital. Upon the vesting of restricted shares for which a stock-based compensation expense has been recognized, the related portion of contributed surplus is credited to share capital.

On May 4, 2006, the shareholders of the Company approved the subdivision of its issued common shares on a two-for-one basis, effective for registered common shares at the close of business on May 19, 2006. All references to common shares, per share amounts, and stock-based compensation plans in these consolidated financial statements have been restated to reflect the stock split on a retroactive basis.

Share options

Under the Company's share option plan, options to purchase common shares may be granted by the Board of Directors to officers and employees. Options are granted at exercise prices equal to or greater than fair market value at the issue date, generally vest evenly over a three-year period, and have contractual lives that range from seven to 10 years. The aggregate number of common shares reserved for issuance that may be purchased upon the exercise of options granted pursuant to the plan shall not exceed 4,514,126 common shares (on a postsplit basis). At December 31, 2006, 2,643,668 options were available for issue.

The Company has granted share options to officers and employees (and to directors prior to May 1999) to purchase 1,702,784 shares at prices between $1.80 and $20.42 per share. These options expire on dates between February 5, 2007, and August 29, 2013.

	2006		2005		2004	
	Shares #	Weighted Average Exercise Price $	Shares #	Weighted Average Exercise Price $	Shares #	Weighted Average Exercise Price $
Share options, beginning of the year	**1,876,528**	**6.94**	2,142,666	6.67	2,958,200	4.64
Granted	**471,000**	**20.40**	–	–	334,000	12.25
Exercised	**(607,080)**	**3.07**	(240,140)	4.00	(1,146,202)	3.05
Cancelled	**(37,664)**	**12.48**	(25,998)	11.85	(3,332)	9.20
Share options, end of the year	**1,702,784**	**11.92**	1,876,528	6.94	2,142,666	6.67

The options held by directors, officers, and employees at December 31, 2006, were as follows:

Options Outstanding				Options Exercisable		
Range of Exercise Prices $	Outstanding #	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price $	Shares Exercisable #	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price $
1.80	238,000	0.10	1.80	238,000	0.10	1.80
3.50	21,000	0.29	3.50	21,000	0.29	3.50
7.25 – 9.42	283,800	3.09	7.88	283,800	3.09	7.88
10.50 – 13.55	693,984	4.80	11.61	479,320	4.46	11.17
20.37 – 20.42	466,000	6.65	20.40	–	–	–
1.80 – 20.42	1,702,784	4.31	11.92	1,022,120	2.98	7.92

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.

	2006 Granted at Market	2004 Granted at Market
Risk-free interest rate (%)	**4.05**	4.07
Expected hold period to exercise (years)	**6.0**	6.0
Volatility in the price of the Company's shares (%)	**29.4**	26.1
Weighted average fair value per option ($)	**7.59**	4.23

The expected volatility was based on the historical volatility of the Company's stock over a period commensurate with the expected term of the stock option. The risk-free interest rate for the expected life of the options was based on the yield available on government bonds, with an approximate equivalent remaining term at the time of the grant. Historical data was used to estimate the expected life of the option.

A summary of the status of the Company's non-vested options as of December 31, 2006, and of changes in the year is as follows:

	Number of Shares Subject to Option #	Weighted Average Grant Date Fair Value $
Non-vested share options, beginning of the year	488,259	3.67
Granted	471,000	7.59
Vested	(243,931)	3.78
Cancelled	(34,664)	4.59
Non-vested share options, end of the year	**680,664**	**6.29**

As of December 31, 2006, 680,664 options remained unvested, and a total unrecognized compensation cost of $3,181,000 related to the Company's stock option plans. This cost is expected to be recognized over a weighted average period of 2.23 years.

For all outstanding options at December 31, 2006, the aggregate intrinsic value was $22.7 million. For fully vested share options and share options expected to vest at December 31, 2006, the aggregate intrinsic value was $22.3 million. For options exercisable at December 31, 2006, the intrinsic value at December 31, 2006, was $17.7 million. The total intrinsic value of options exercised during the years ended December 31, 2006, 2005, and 2004, was $9.8 million, $2.7 million, and $10.7 million, respectively.

Deferred share units
Under the Company's deferred share unit plan, outside directors of the Company may receive deferred share units equal to one common share. Upon death or retirement, deferred share units are paid out to the directors in the form of cash at the market price of the Company's common shares on the last trading day of the month of death or retirement. Deferred share units cannot be paid in the form of Company shares. In 2006, $159,000 deferred share units were paid (2005 – nil; 2004 – $120,000). These units are recorded at fair value based on the current market price of the Company's common shares. As at December 31, 2006, 48,000 units were outstanding (2005 – 40,000; 2004 – 20,800).

Restricted shares
In 2005 the former shareholders of Keith received restricted shares in connection with the acquisition of Keith. These restricted shares vest over a period ending April 1, 2008. Upon the vesting of restricted shares, common shares are issued. As at December 31, 2006, 55,666 restricted shares were outstanding (2005 – 117,392; 2004 – nil).

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 1.1654 (2005 – 1.1630; 2004 – 1.2020).

	2006 $000s	2005 $000s	2004 $000s
Cumulative translation account, beginning of the year	**(25,575)**	(19,018)	(13,861)
Current year deferred translation adjustment	**731**	(6,557)	(5,157)
Cumulative translation account, end of the year	**(24,844)**	(25,575)	(19,018)

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:

	2006 %	2005 %	2004 %
Income tax expense at statutory Canadian rates	**34.1**	34.8	34.7
Increase (decrease) resulting from:			
Income from associated companies	**(0.1)**	(0.1)	(0.3)
Rate differential on foreign income	**1.1**	0.7	(2.0)
Non-deductible expenses:			
Meals and entertainment	**0.9**	1.1	1.4
Stock compensation	**0.3**	0.5	0.6
Non-taxable foreign income net of non-creditable withholding taxes	**(2.9)**	(1.6)	(1.3)
Other	**(0.7)**	(0.4)	(0.7)
	32.7	35.0	32.4

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:

	2006 $000s	2005 $000s	2004 $000s
Domestic	**79,109**	61,323	48,111
Foreign	**10,315**	1,177	(3,451)
Total income before income taxes	**89,424**	62,500	44,660

The details of the income tax expense (recovery) are as follows:

		2006 $000s	2005 $000s	2004 $000s
Current:	Domestic	**25,766**	21,172	17,724
	Foreign	**5,718**	563	341
Total current expense		**31,484**	21,735	18,065
Future:	Domestic	**725**	5	(566)
	Foreign	**(2,967)**	138	(3,029)
Total future expense		**(2,242)**	143	(3,595)
Total:	Domestic	**26,491**	21,177	17,158
	Foreign	**2,751**	701	(2,688)
Total income tax expense		**29,242**	21,878	14,470

Significant components of the Company's future income tax assets and liabilities are as follows:

	2006 $000s	2005 $000s
Future income tax assets		
Differences in timing of deductibility of expenses	**12,599**	13,470
Loss carryforwards	**4,199**	4,670
Share issue and other financing costs	**347**	519
Tax cost of property and equipment in excess of carrying value	**332**	357
Deferred gain on sale of building	**1,359**	1,513
Other	**859**	1,112
	19,695	21,641
Less current portion	**9,711**	14,827
	9,984	6,814

	2006 $000s	2005 $000s
Future income tax liabilities		
Cash to accrual adjustments on acquisitions of US subsidiaries	**2,512**	–
Differences in timing of taxability of revenues	**10,463**	15,287
Carrying value of property and equipment in excess of tax cost	**7,970**	7,304
Carrying value of intangible assets in excess of tax cost	**8,822**	10,625
Other	**742**	598
	30,509	33,814
Less current portion	**12,236**	17,552
	18,273	16,262

At December 31, 2006, loss carryforwards of approximately $3,541,000 are available to reduce the taxable income of certain Canadian subsidiaries. These losses expire as set out below:

	$000s
2007	–
2008	541
2009	66
2010	977
2014	663
2015	18
2026	1,276
	3,541

In addition, the Company has loss carryforwards of approximately $7,885,000 that are available to reduce the taxable income of certain US subsidiaries and that expire at varying times over the next 20 years.

The 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:

	2006 #	2005 #	2004 #
Basic shares outstanding	**45,068,266**	39,840,234	36,999,196
Share options (dilutive effect of 1,702,784 options; 2005 – 1,876,528; 2004 – 2,082,666)	**648,430**	1,067,584	1,015,382
Restricted shares (dilutive effect of 55,666 restricted shares; 2005 – 117,392)	**74,813**	34,414	–
Diluted shares outstanding	**45,791,509**	40,942,232	38,014,578

In 2004, 60,000 antidilutive options were not considered in computing diluted earnings per share.

16. Cash Flows From (Used In) Operating Activities

Cash flows from operating activities determined by the indirect method are as follows:

	2006 $000s	2005 $000s	2004 $000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year	**60,182**	40,622	30,190
Add (deduct) items not affecting cash:			
Depreciation of property and equipment	**15,604**	12,389	11,986
Amortization of intangible assets	**6,132**	2,542	927
Future income tax	**(2,242)**	143	(3,595)
Loss (gain) on dispositions of investments and property and equipment	**(1,238)**	562	(504)
Stock-based compensation expense	**2,224**	1,814	1,014
Provision for self-insured liability	**6,329**	8,244	2,826
Other non-cash items	**(994)**	(1,332)	(1,065)
Share of income from equity investments	**(285)**	(187)	(385)
Dividends from equity investments	**450**	550	300
	86,162	65,347	41,694
Change in non-cash working capital accounts:			
Accounts receivable	**(15,345)**	15,748	(1,542)
Costs and estimated earnings in excess of billings	**24,257**	(19,572)	30,218
Prepaid expenses	**(269)**	487	496
Accounts payable and accrued liabilities	**(3,958)**	(1,177)	(6,470)
Billings in excess of costs and estimated earnings	**4,590**	1,664	1,600
Income taxes payable/recoverable	**(2,048)**	(5,183)	11,355
	7,227	(8,033)	35,657
Cash flows from operating activities	**93,389**	57,314	77,351

17. Joint Ventures

The Company participates in joint ventures with other parties as follows:

	Percentage Owned		
	2006 %	**2005 %**	**2004 %**
yyC.T. Joint Venture	**17**	20	20
Stantec – S&L Partnership	**50**	50	50
Colt Stantec Joint Venture	**n/a**	n/a	50
Edmonton International Airports Joint Venture	**33**	33	33
Pine Creek Consultants Joint Venture	**33**	33	33
Dunlop Joint Ventures	**33–80**	33–80	33–80
Stantec Architecture Ltd./J.L. Richards & Associates Joint Venture	**50**	50	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, with 11 remaining active as at December 31, 2006. 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:

	2006 $000s	**2005 $000s**	**2004 $000s**
Statements of income			
Gross revenue	**4,451**	5,941	1,186
Subconsultant and other direct expenses	**4,612**	5,072	894
Administrative and marketing expenses	**75**	147	217
Net (loss) income for the year	**(236)**	722	75
Balance sheets			
Current assets	**2,086**	3,743	3,445
Current liabilities	**1,800**	2,842	2,822
Statements of cash flows			
Cash flows from (used in) operating activities	**173**	(488)	(274)

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 of the Company, and the Company's operating segments are based on its regional geographic areas.

In 2006 the Company had three operating segments (2005 – five operating segments) that were aggregated into the Consulting Services reportable segment. Prior to 2005, the Company had eight operating segments, six of which were aggregated into Consulting Services. 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. During 2004, the Company sold the operations relating to the Design and Technology segments. These operations were not presented as discontinued operations, because the amounts were not material.

Geographic information

	Property and Equipment, Goodwill, Intangible Assets	
	2006 $000s	2005 $000s
Canada	**106,497**	104,463
United States	**232,387**	223,593
International	**435**	441
	339,319	328,497

Geographic information

	Gross Revenue		
	2006 $000s	2005 $000s	2004 $000s
Canada	**461,281**	380,471	325,844
United States	**348,055**	233,428	190,362
International	**6,797**	4,121	4,673
	816,133	618,020	520,879

Gross revenue is attributed to countries based on the location of the work performed.

Practice area information

	Gross Revenue		
	2006 $000s	2005 $000s	2004 $000s
Consulting Services			
Buildings	**184,254**	147,432	98,020
Environment	**149,376**	103,353	104,630
Industrial & Project Management	**94,806**	67,834	56,929
Transportation	**106,026**	90,559	91,389
Urban Land	**281,671**	208,842	168,846
	816,133	618,020	519,814
Other	**–**	–	1,065
	816,133	618,020	520,879

Comparative figures are restated due to a realignment of practice areas in 2006.

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 Contract

As at December 31, 2006, the Company had entered into a foreign currency forward contract that provided for the sale of US$4.5 million at the rate of 1.1608 per US dollar. This derivative financial instrument was entered into to mitigate foreign currency fluctuation risk on net operating assets denominated in US dollars. The fair value of this contract, estimated using market rates at December 31, 2006, was a loss of $19,167. During 2006, the unrealized loss relating to this derivative financial instrument was recorded in foreign exchange gains. No forward contracts were outstanding at December 31, 2005.

20. Investment Tax Credits

Investment tax credits arising from qualifying scientific research and experimental development efforts pursuant to existing tax legislation are recorded as a reduction of the applicable administrative and marketing expenses when there is reasonable assurance of their ultimate realization. Investment tax credits of $500,000 (2005 – $1,239,000; 2004 – $426,000) were recorded and reduced administrative and marketing expenses in 2006.

21. 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 U.S. 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.

Comprehensive income is measured in accordance with Statement of Financial Accounting Standards No. 130, “Reporting Comprehensive Income” (SFAS 130). This standard defines comprehensive income as all changes in equity other than those resulting from investments by owners and distributions to owners and includes adjustments arising on the translation of self-sustaining foreign operations. As well, under US GAAP, comprehensive income includes the difference between the recorded and fair value of the Company’s investments held for self-insured liabilities since these investments are classified as available for sale (note 6). Canadian GAAP does not yet require similar disclosure.

Statement of Comprehensive Income

	2006 $000s	2005 $000s	2004 $000s
Net income under Canadian and US GAAP	**60,182**	40,622	30,190
Other comprehensive income, net of tax:			
Unrealized foreign exchange gains (losses) on translation of self-sustaining foreign operations	**731**	(6,557)	(5,157)
Unrealized gains on financial assets	**217**	227	37
Comprehensive Income	**61,130**	34,292	25,070
Accumulated other comprehensive income, beginning of the year	**(25,311)**	(18,981)	(13,861)
Unrealized foreign exchange gains (losses) on translation of self-sustaining foreign operations	**731**	(6,557)	(5,157)
Unrealized gains on financial assets	**217**	227	37
Accumulated other comprehensive income, end of the year	**(24,363)**	(25,311)	(18,981)

b) Other disclosure requirements

i) Allowance for doubtful accounts

	2006 $000s	2005 $000s	2004 $000s
Balance, beginning of the year	**16,053**	21,095	16,952
Acquired balances	**2,069**	7,298	5,294
Provision for doubtful accounts	**2,182**	73	6,632
Deductions	**(13,118)**	(12,164)	(7,152)
Impact on foreign exchange	**193**	(249)	(631)
Balance, end of the year	**7,379**	16,053	21,095

ii) Long-term contracts

Included in accounts receivable are holdbacks on long-term contracts of $2,278,000 in 2006 and of $1,431,000 in 2005.

c) Recent accounting pronouncements

Stock-based compensation
In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (SFAS 123R), effective for the first interim or annual financial statements beginning on or after June 15, 2005. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The Company recognizes share-based payments at fair value for options granted subsequent to January 1, 2002, using the Black-Scholes option-pricing model. The Company has adopted SFAS 123R using the modified-prospective application transition method. The adoption of the modified-prospective transition method has resulted in no additional share option expense being recognized as part of the reconciliation of Canadian and US GAAP disclosures in these consolidated financial statements.

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

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

22. Comparative Figures
Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

Exhibit 7

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Annual Report (Form 40-F) of Stantec Inc. (the "Company") of our audit reports dated February 21, 2007, with respect to the consolidated financial statements of the Company and management's assessment of the effectiveness of internal control over financial reporting of the Company, included in the 2006 Annual Report to Shareholders of the Company.

Ernst & Young LLP

Edmonton, Canada
February 21, 2007

Chartered Accountants

ERNST & YOUNG

Exhibit 8

CERTIFICATION
REQUIRED BY RULE 13a-14(a)
OR RULE 15d-14(a), PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, **ANTHONY P. FRANCESCHINI**, certify that:

1. I have reviewed this annual report on Form 40-F of Stantec Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 30, 2007

/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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 30, 2007

/s/ Donald W. Wilson
DONALD W. WILSON, CA
Vice-President & Chief Financial Officer

Exhibit 9

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, 2006 (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, 2007

/s/ Anthony P. Franceschini
ANTHONY P. FRANCESCHINI, P. ENG
President & Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Stantec Inc. (the "Company") is filing its annual report on Form 40-F for the fiscal year ended December 31, 2006 (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, 2007

/s/ Donald W. Wilson
DONALD W. WILSON, CA
Vice-President & Chief Financial Officer