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

FORM 40-F

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

OR

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

For the fiscal year ended December 31, 2013

Commission File Number: 001-32562

STANTEC INC.

(Exact name of Registrant as specified in its charter)

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

Canada

(Province or other jurisdiction of incorporation or organization)

8711

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

N/A

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

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

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

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

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

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

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

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

None.

(Title of Class)

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

None.

(Title of Class)

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

[Ö] Annual information form [Ö] Audited annual financial statements

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

As of December 31, 2013 – 46,576,132 Common Shares outstanding.

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the “Exchange Act”). If “Yes” is marked, indicate the file number assigned to the Registrant in connection with such Rule.

Yes [] No [Ö]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes [Ö] No []

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

Yes [] No []

DISCLOSURE CONTROLS AND PROCEDURES

The disclosure provided under “Controls and Procedures” on pages M-73 through M-74 of Exhibit 2, Management’s Discussion and Analysis, is incorporated by reference herein.

MANAGEMENT’S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The disclosure provided under “Management Report” on page F-1 of Exhibit 3, 2013 Audited Consolidated Financial Statements, is incorporated by reference herein.

AUDITOR ATTESTATION

The disclosure provided under “Independent Auditors’ Report on Internal Control Over Financial Reporting” on page F-3 of Exhibit 3, 2013 Audited Consolidated Financial Statements, is incorporated by reference herein.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The disclosure provided under “Controls and Procedures” on pages M-73 through M-74 of Exhibit 2, Management’s Discussion and Analysis, is incorporated by reference herein.

IDENTIFICATION OF THE AUDIT COMMITTEE

On December 31, 2013, Stantec’s audit and risk committee was made up of the following four members: Ivor M. Ruste (Chair), David L. Emerson, Delores M. Etter, and Douglas K. Ammerman.

AUDIT COMMITTEE FINANCIAL EXPERT

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

CODE OF ETHICS

Stantec has adopted a code of ethics, entitled “Stantec Code of Ethics”. The Code of Ethics applies to all directors, officers and employees of Stantec, including Stantec’s principal executive officer, principal financial officer and principal accounting officer. Stantec requires that all officers and employees annually certify that they have read and understand the Code. The Code of Ethics is reviewed at least annually to ensure that it complies with all legal requirements and is in alignment with best practices. In the event that amendments are needed, recommendations are made to the corporate governance and compensation committee and the Board of Directors for approval. On October 31, 2012, the Board of Directors approved an amended and restated Code of Ethics. The amendments strengthened the anti-corruption provisions of the Code of Ethics and added a provision relating to appropriate use of social media. The Code of Ethics as amended and restated on October 31, 2012 is filed as Exhibit 9 to this Annual Report, is available on Stantec’s website (www.stantec.com) under the “About – Governance” section and is available in print to any shareholder upon written request to the Secretary of Stantec.

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

Stantec. Stantec's Integrity Policy sets out our procedures for reporting and investigating observations or concerns raised by employees or officers of the company. The Integrity Policy is available at www.stantec.com. Stantec monitors compliance with its code through its integrity hotline. The integrity hotline allows officers or employees to report concerns regarding breaches of our code in writing, over the telephone, by mail or by email. All complaints are treated as confidential, and requests to maintain anonymity are respected to the extent possible. The integrity hotline is monitored by the office of Stantec's general counsel.

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

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

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The disclosure provided under "External Auditor Service Fees" on page 19 of Exhibit 1, Annual Information Form, is incorporated by reference herein.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

The disclosure provided under "Preapproval Policy" on page 19 of Exhibit 1, Annual Information Form, is incorporated by reference herein. No audit fees, audit-related fees, tax fees or other fees were approved by the Audit and Risk Committee pursuant to paragraph (c)(7)(i)(C) of Regulation S-X.

OFF-BALANCE SHEET ARRANGEMENTS

The disclosure provided under "Off-Balance Sheet Arrangements" on page M-45 of Exhibit 2, Management's Discussion and Analysis, is incorporated by reference herein.

CONTRACTUAL OBLIGATIONS

The disclosure provided under "Contractual Obligations" on page M-44 of Exhibit 2, Management's Discussion and Analysis, is incorporated by reference herein.

CORPORATE GOVERNANCE

The disclosure provided under "NYSE Corporate Governance Disclosure" on page 20 of Exhibit 1, Annual Information Form, is incorporated by reference herein.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

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

B. Consent to Service of Process

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

SIGNATURES

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

STANTEC INC.

/s/ Robert J. Gomes
Robert J. Gomes, P. Eng.
President and Chief Executive Officer

Date: February 26, 2014

EXHIBIT INDEX

Exhibit No.	Description
99.1.	Annual Information Form dated February 26, 2014
99.2.	Management's Discussion and Analysis for the year ended December 31, 2013 (pages M-1 through M-77 of the 2013 Annual Report)
99.3.	2013 Audited Consolidated Financial Statements (pages F-1 through F-57 of the 2013 Annual Report)
99.4.	Consent of Ernst & Young LLP
99.5.	Officers' Certifications required by Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002
99.6.	Officers' Certification pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002
99.7.	Officers' Certifications required by Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002
99.8.	Officers' Certification pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002
99.9.	Code of Ethics

Exhibit 99.1

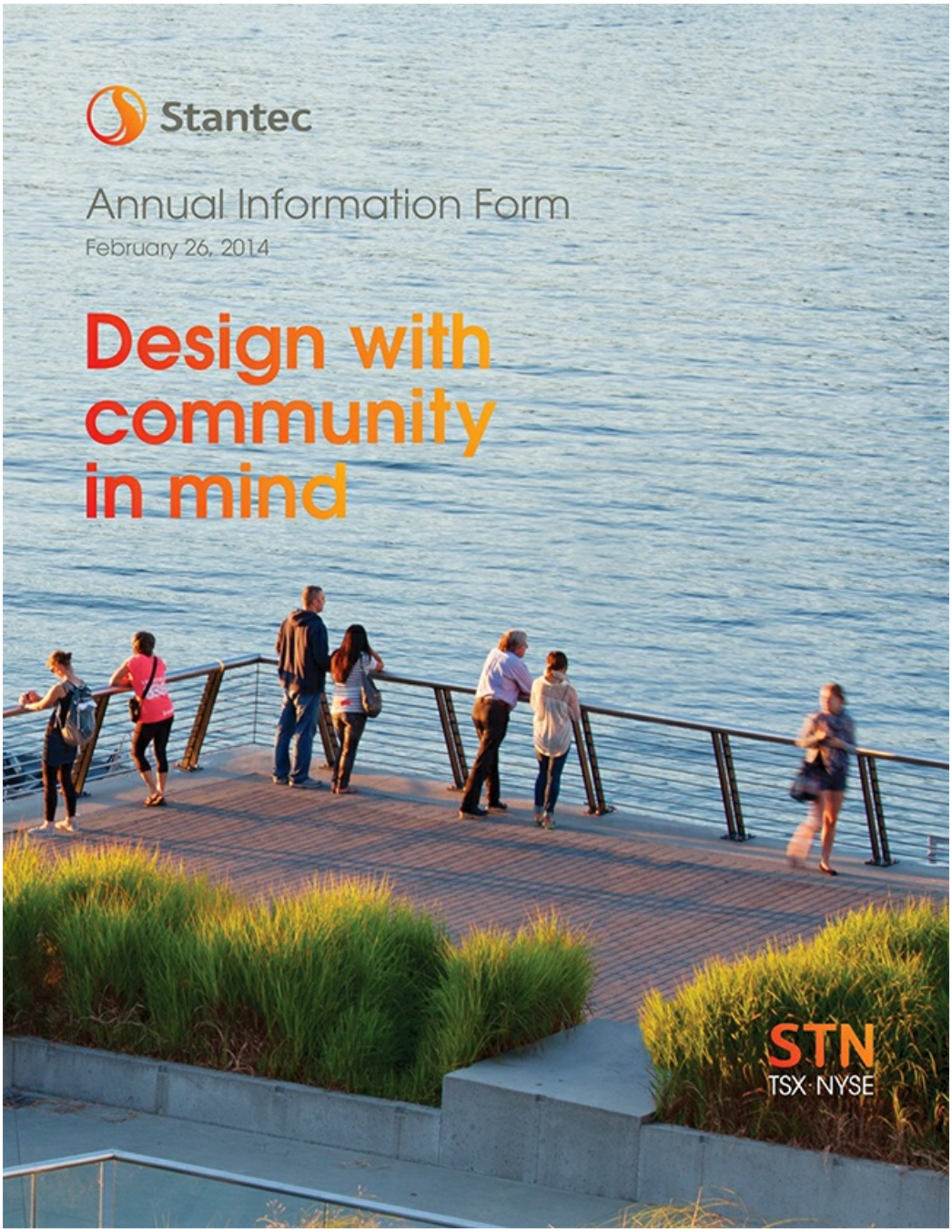

Stantec
Annual Information Form
February 26, 2014
Design with community in mind
STN
TSX · NYSE

Table of Contents

Corporate Structure	4
Name, Address, and Incorporation	4
Intercorporate Relationships	5
General Development of the Business	6
2014	6
2013	6
2012	7
2011	8
Description of the Business	10
Research and Development	10
Competitive Conditions	11
Services	11
Employees	11
Reorganization	11
Social and Environmental Policies	11
International Operations	13
Risk Factors	14
Dividends	14
Description of Capital Structure	14
Preferred Shares	14
Common Shares	14
Market for Securities	15
Directors and Officers	16
Directors' and Executive Officers' Share Ownership	17
Audit and Risk Committee Information	17
Audit and Risk Committee Terms of Reference	17
Composition of the Audit and Risk Committee	17
Preapproval Policy	19
External Auditor Service Fees	19
Legal Proceedings and Regulatory Actions	20
Transfer Agent	20
Material Contracts	20
Interests of Experts	20
Additional Information	20
NYSE Corporate Governance Disclosure	20
Appendix I – Audit and Risk Committee– Terms of Reference (Mandate)	21

Cautionary Note Regarding Forward-Looking Statements

Our public communications often include written or verbal “forward-looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995 and “forward-looking information” within the meaning of applicable Canadian securities laws (collectively, “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 contained and incorporated by reference in this Annual Information Form, including: (a) the discussion of the expected results of our organizational realignment in the General Development of the Business section of this Annual Information Form, (b) our beliefs about our risk management strategy and our ability to compete effectively in the Description of the Business section of this Annual Information Form, and (c) the discussion of our goals and of our annual and long-term targets and expectations for our regions and business operating units in the Core Business and Strategy and Outlook sections of our Management’s Discussion and Analysis for the year ended December 31, 2013,which is incorporated by reference in this Annual Information Form (as described on page 9) 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 2014 and beyond, our strategies or future actions, our dividend policy, our targets, our expectations for our financial condition, or the results of our outlook for our operations. The purpose of this information is to describe management’s expectations and targets for measuring our success and to assist our shareholders in understanding our financial position as at and for the periods ended on the dates presented in this report. Readers are cautioned that this information may not be appropriate for other purposes.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions, projections, and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on 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.

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
- Effects of war or terrorist activities
- Effects of disease or illness on local, national, or international economies
- Effects of disruptions to public infrastructure, such as transportation, communications, power, or water
- Global economic or political conditions
- Regulatory or statutory developments
- Effects of competition in the geographic or business areas in which we operate
- Actions of management
- Technological changes

Many of these factors are beyond our control and have effects which are difficult to predict.

Assumptions about the performance of the Canadian and US economies in 2014 and how it will affect our business are material factors that we consider when determining our forward-looking statements. These assumptions are discussed in the Outlook section of our Management’s Discussion and Analysis for the year ended December 31, 2013, filed on SEDAR at www.sedar.com, and incorporated by reference in this Annual Information Form.

For additional information regarding material and known risks and assumptions, see the discussion on pages M-65 to M-73 and M-76 to M-77 of our Management's Discussion and Analysis for the year ended December 31, 2013, which is incorporated by reference.

We caution that various factors, including those discussed in our Management's Discussion and Analysis, and others, could adversely affect our results. Investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements, when relying on these statements to make decisions about our Company.

The forward-looking statements contained in this report represent our expectations as at February 26, 2014, and are subject to change after this date. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time by us. Our current practice is to evaluate and, where we deem appropriate, provide updates to ranges of expected performance for 2014. However, subject to legal requirements, we may change this practice at any time at our sole discretion.

Corporate Structure

Name, Address, and Incorporation

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

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

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

References in this Annual Information Form to "Stantec" and the "Company" include, as the context may require, Stantec Inc. and all or some of the companies in which it has an interest. References in this Annual Information Form to "our," "us," and "we" also refer to Stantec Inc.

Intercorporate Relationships

The following chart lists, as at December 31, 2013, (a) the intercorporate relationships among Stantec and its subsidiaries, (b) the jurisdiction of incorporation of these subsidiaries, and (c) the percentage of voting and restricted securities of the subsidiaries owned, controlled, or directed by Stantec:

Name of Subsidiary	Percentage of Voting Shares	Percentage of Restricted Shares(1)	Governing Jurisdiction
58053 Newfoundland & Labrador Inc.	100	N/A	Newfoundland & Labrador
59991 Newfoundland & Labrador Ltd.	100	N/A	Newfoundland & Labrador
3221969 Nova Scotia Company	100	100	Nova Scotia
ENTRAN of Virginia, PLLC	100	N/A	Virginia
International Insurance Group Inc.	100	N/A	Barbados
Jacques Whitford Consultants BV	100	N/A	Netherlands
Jacques Whitford Holdco Ltd.	100	N/A	Cayman Islands
Nu Nennè-Stantec Inc.	100	N/A	Alberta
Stantec Consulting Caribbean Ltd.	100	N/A	Barbados
Stantec Consulting Cayman Islands Ltd.	100	N/A	Cayman Islands
Stantec Consulting Colombia S.A.S.	100	N/A	Colombia
Stantec Consulting Guatemala, S.A.	100(2)	N/A	Guatemala
Stantec Consulting International LLC	100	N/A	Arizona
Stantec Consulting International Ltd.	100	100	Canada
Stantec Consulting Labrador Ltd.	100	N/A	Newfoundland & Labrador
Stantec Consulting Ltd.	100	100	Canada
Stantec Consulting Michigan Inc.	100	N/A	Michigan
Stantec Consulting Services Inc.	100	100	New York
Stantec Delaware II LLC	100	N/A	Delaware
Stantec do Brasil Engenharia e Consultoria Ltda.	100	N/A	Brazil
Stantec Experts-conseils ltée	100	N/A	Canada
Stantec Holdings (Delaware) III Inc.	100	N/A	Delaware
Stantec Holdings Ltd.	100	100	Canada
Stantec Holdings II Ltd.	100	N/A	Alberta
Stantec Newfoundland & Labrador Ltd.	100	N/A	Newfoundland & Labrador
Stantec Technology International Inc.	100	100	Delaware
UEI Associates, Inc.	100	N/A	Texas
UEI Global I, Inc.	100	N/A	Texas
Universal Energy do Brasil Ltda.	100	N/A	Brazil

(1) In this Annual Information Form, "restricted shares" means nonvoting shares in the capital stock of the Company or of a subsidiary of the Company, as the case may be.

(2) One percent (1%) of the shares is registered in the name of an individual shareholder, who holds those shares for the benefit of Stantec.

General Development of the Business

2014

The following information highlights the general development of our business for the current financial year.

Organizational Realignment
Effective January 1, 2014, we realigned our organizational structure with a change from practice area units to three business operating units: Buildings, Energy & Resources, and Infrastructure. We did not change the foundation of our matrix-based leadership structure; we simply realigned it. We believe this will create stronger accountability for our leadership team and will result in more focused growth. We expect this will allow us to better support our clients and maintain the core elements of our strategy.

For additional information about our organizational realignment for the upcoming year, see pages M-7 to M-8 of Stantec's Management's Discussion and Analysis for the year ended December 31, 2013 (incorporated by reference in this Annual Information Form and filed on SEDAR at www.sedar.com).

Acquisitions
In January 2014, we acquired the following firms:

Business Acquired	Nature of Business
Williamsburg Environmental Group, Inc.	Provides specialized services in ecology, environmental restoration, water resources, and regulatory support for public and private clients in the power, transportation, and energy and resource sectors. Principally located in Williamsburg, Virginia, with offices in Richmond and Fredericksburg, Virginia.
Cultural Resources, Inc.	Provides services in cultural resource management and historic preservation. Principally located in Glen Allen, Virginia.

Three-Year History

Following are highlights of Stantec's general development over the past three years.

2013

Officer and Director Changes
Effective May 8, 2013, Donald J. Lowry was appointed to Stantec's board of directors.

Acquisitions
We acquired the following firms in Canada and the United States during 2013:

Month	Business Acquired	Nature of Business
November	Cambria Gordon Ltd.	Provides environmental science and environmental management services to public, private, and First Nation clients. Principally located in Terrace, British Columbia.
November	JDA Architects Limited	Provides full architectural services to clients in the healthcare, public safety, commercial, and industrial sectors. Principally located in Halifax, Nova Scotia.

Month	Business Acquired	Nature of Business
June	Roth Hill, LLC	Provides services in civil engineering in water and wastewater, with strong municipal service capabilities. Principally located in Bellevue, Washington.
May	IBE Consulting Engineers, Inc.	Provides design of mechanical, electrical and plumbing systems for education, healthcare, commercial, cultural and government facilities. Principally located in Sherman Oaks, California.
May	Ashley-Pryce Interior Designers Inc.	Provides services in corporate interior design. Principally located in Vancouver, British Columbia.

2012

Officer and Director Changes

The following changes occurred in 2012:

- Effective October 3, Robert J. Bradshaw retired from Stantec's board of directors
- Effective March 1, Robert H. Seager was appointed senior vice president and leader of our Environmental Services practice area unit for Canada and the United States
- Effective March 1, Gordon A. Johnston was appointed senior vice president and leader of our Water practice area unit for Canada and the United States

Dividend Declaration

On February 15, 2012, Stantec's board of directors approved a dividend policy and concurrently declared Stantec's first quarterly dividend. Since then, we have paid quarterly dividends on our common shares.

Credit Facility

Effective June 28, 2012, we amended our $350-million revolving credit facility to increase the amount of discretionary funds available —from $75 million to $150 million. The terms and conditions of these additional funds are on the same terms and conditions as that of the underlying commitment; however, they are subject to the approval of our lenders. Our current credit facility terminates on August 31, 2017, subject to any extension by the parties prior to termination.

Acquisitions

We acquired the following firms in Canada and the United States during 2012:

Month	Business Acquired	Nature of Business
December	Greenhorne & O'Mara, Inc.	Provides services in the design of transportation facilities and other infrastructure (including highway and bridge design), traffic engineering, master planning and landscape architecture, structural engineering, U.S. Department of Defense services, and utilities design. Principally located in Laurel, Maryland, with offices spread throughout the Mid-Atlantic and Southeast regions of the United States.
December	Landmark Survey and Mapping, Inc.	Provides services in surveying and mapping for oil and gas pipelines. Principally located in Washington, Pennsylvania.
November	Corzo Castella Carballo Thompson Salman, P.A.	Provides transportation and civil engineering, architecture, and environmental engineering services to major transportation agencies, municipalities, and education institutions across Florida. Principally located in Miami-Dade County in Coral Gables, Florida, with offices in Fort Lauderdale, Boca Raton, West Palm Beach, and Orlando.

Month	Business Acquired	Nature of Business
November	Architecture 2000 Inc.	Provides services in architectural, master, and urban planning; interior design; and project management. Principally located in Moncton, New Brunswick.
August	Cimarron Engineering Ltd.	Provides services in the development, design, installation, and integrity maintenance of oil and gas pipeline systems and station facilities. Principally located in Calgary and Edmonton, Alberta.
May	ABMB Engineers, Inc.	Provides services in transportation, traffic, and infrastructure engineering, as well as intelligent transportation system design. Principally located in Baton Rouge, Louisiana, with offices in New Orleans and in Jackson, Vicksburg, and Madison, Mississippi.
May	PHB Group Inc.	Provides services in architectural and interior design as well as pre-design services, including site-selection studies, life safety studies, building condition reports, feasibility studies, master planning, programming, and project management services. Principally located in St. John's, Newfoundland and Labrador.

2011

Officer and Director Changes

The following changes occurred in 2011:

- Effective September 1, Douglas K. Ammerman and Delores M. Etter were appointed to Stantec's board of directors
- Effective August 26, Jeffery Kishel left Stantec after stepping down from his role as leader of the Environment practice area unit; Richard K. Allen assumed the role
- Effective May 16, Paul A. Cellucci resigned from Stantec's board of directors
- During Stantec's annual general meeting on May 12, Ronald Triffo, chair of Stantec's board of directors, announced the board's selection of his successor, Aram H. Keith, who has been a board member since 2005

Debt Private Placement

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

Acquisitions

We acquired the following firms in Canada and the United States during 2011:

Month	Business Acquired	Nature of Business
October	ENTRAN, Inc.	Provides a range of transportation infrastructure services, including aviation planning and design, bridge and roadway design, traffic engineering, transportation planning, and construction engineering services. Principally located in Lexington, Kentucky, with additional offices in Chicago, Illinois; Cincinnati, Ohio; Charleston, West Virginia; Louisville, Kentucky; and Nashville, Tennessee.
October	5107 N.W.T. Limited, operating as FSC Architects & Engineers	Provides services and expertise within architecture, mechanical, electrical, civil/municipal, structural, and environmental engineering. Principally located in Yellowknife, Northwest Territories, with additional offices in Whitehorse, Yukon; Iqaluit, Nunavut; and Edmonton, Alberta.
September	Bonestroo Inc.	Provides services in municipal engineering, infrastructure planning, streets and utilities design, water supply, water storage, water distribution, brownfields redevelopment, environmental planning, environmental management, environmental compliance, transportation engineering, traffic engineering, bridge design, water resources management, ice design, aquatics design, athletic field design, land use planning, and urban design. Principally located in St. Paul, Minnesota, with additional offices in Wisconsin, Illinois, Michigan, and North Dakota.
May	1488320 Alberta Inc. The Caltech Group	Provides services through Caltech Senex Oil & Gas and Caltech Utilities. Caltech Senex Oil & Gas provides multidisciplinary engineering, procurement, and construction management services, including studies; front-end engineering and development work; detailed engineering; construction management, commissioning, and start-up; as well as operations support. Caltech Utilities provides design of utility, electrical asset, and telecom facilities, including a wide range of client planning, engineering, consulting, and development services. Both are principally located in Calgary, Alberta.
February	QuadraTec Inc.	Provides services such as mechanical, electrical, industrial, and communication engineering; energy management; design; studies; and contract administration. Principally located in St. John's, Newfoundland and Labrador.

For additional information about the general development of our business and strategies for the upcoming year, see pages M-3 to M-14, and M-48 to M-55 of Stantec's Management's Discussion and Analysis for the year ended December 31, 2013 (incorporated by reference in this Annual Information Form and filed on SEDAR at www.sedar.com).

Description of the Business

Stantec collaborates across disciplines and industries to bring buildings, energy and resources, and infrastructure projects to life. Our work—professional consulting in planning, engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, project management, and project economics—begins at the intersection of community, creativity, and client relationships.

Our primary business objective is to be a top 10 global design firm. With the advantage of local insights and a long-term commitment to the people and places we serve, Stantec has the unique ability to connect to projects on a personal level and advance the quality of life in communities across the globe.

Our business model is a key element of our strategy. It is based on providing services across diverse geographic locations, distinct business operating units, and all phases of the infrastructure and facilities project life cycle—planning, design, construction, maintenance, and decommissioning. Because of the diversity of our model, we are generally able to adapt to changes in market conditions by offsetting decreased demand for services in one business operating unit with increased demand for services in another. We believe this allows us to manage risk, while we continue to increase our revenue and earnings, by 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 gross revenue.

Under the rules of IFRS, we have one reportable segment—Consulting Services—that is an aggregate of our operating segments. Our operating segments are organized by geographic area, 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, our business operating unit leaders provide strategic direction, mentoring, and technical support to operations across our geographic regions.

The following table illustrates the breakdown of gross revenue for 2013 and 2012 for Consulting Services:

	2013		2012(1)	
Unit	**(millions C$)**	**%**	**(millions C$)**	**%**
Consulting Services	2,236.4	100	1,870.3	100

(1) 2012 has been restated due to the adoption of IFRS 10 and 11.

Our operations are organized into three main geographic regions: Canada, the United States, and International. In 2013, we earned 58% of our gross revenue in Canada, 39% in the United States, and 3% internationally. Our international offices are in the Caribbean, the United Kingdom, the Middle East, and India. For additional information regarding our core business and strategy, see our 2013 Management's Discussion and Analysis pages M-3 to M-8 (incorporated by reference in this Annual Information Form and filed on SEDAR at www.sedar.com).

Research and Development

We generally conduct research and development for 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, wastewater treatment, and pavement evaluation and management systems.

Competitive Conditions

We work in highly competitive markets and have numerous competitors for all of our services. 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, we have fewer but still many competitors; however, some of these competitors have greater financial and other resources than we have. Although we compete with other large private and public companies in certain geographic locations, our primary competitors are small- to medium-sized privately held regional firms in Canada and the United States.

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

The main competitive factors in the services we offer are reputation, experience, breadth and quality of services, technical proficiency, local offices, competitive total project fees, and integrated service delivery. Given the expanding demand for the services we provide, additional competitors will likely emerge. Even with this increased competition, we believe that we will compete effectively because of our strengths and expertise in engineering, architecture, and related professional services, as well as our successful track record of service delivery.

Services

We serve many diverse clients in the private and public sectors. Our aim is to establish ongoing relationships with clients that are likely to produce repeat business. We do not depend on any one client or group of clients for our business; no single client or project represents more than 5% of our overall business.

We offer a range of pricing structures to our clients but usually provide our services based on either a fixed- or variable-fee contract (with a ceiling) or a time-and-material contract (without a stated ceiling). Most assignments are acquired based on our expertise and contacts; others are obtained through a competitive bidding process.

Employees

As at December 31, 2013, we had approximately 13,200 staff: about 7,600 professionals, 4,100 technologists and technicians, and 1,500 support personnel.

We are a knowledge-based organization and always seek talented and skilled professionals for all of our specialized business units. Since the supply of qualified candidates is sometimes limited, we use various recruitment strategies to address staffing needs: an employee referral bonus program, website job postings, career fairs, student programs, and opportunities to transfer to other office locations.

Reorganization

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

Social and Environmental Policies

Stantec's Health, Safety & Environment (HSE) Program
Stantec is committed to continual improvement in the area of health and safety in all aspects of its business. Led by our vice president, People + Practice, the HSE team includes three directors: senior director of HSE, director of HSE Operations, and director of HSE Practice Development.

The team also includes regional coordinators, more than 100 office coordinators, two dedicated workers' compensation claims coordinators, and systems and administrative support staff.

The HSE program's objective is to protect our employees from injury and to prevent property loss and environmental damage by aligning work processes, systems, and behaviors so that our employees have the necessary guidance and knowledge to complete every task safely, every time. To achieve this objective, the HSE team develops practices and tools that protect employees. We not only meet or exceed government regulations, we also strive for best practices.

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

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

Through these formal strategies, along with timely risk assessments, the HRAC process empowers employees to proactively identify hazards, assess risks, eliminate or control risks, and stop work (when required) to prevent injury and illness, environmental and property damage, and other costly business interruptions.

The HSE team also supports the organization by

- Maintaining approved health, safety, and environment procedures for many specific work tasks in the form of safe work practices
- Providing health, safety, and environment training and education; completing root cause analysis and evaluating lessons learned from recordable injuries and high potential incidents
- Coordinating case management following work-related injuries and illnesses to support an early and safe return to work program

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

Our Company HSE program is outlined in our corporate Health and Safety Policy, HSE Program Manual, and Safe Work Practices. The program is communicated to employees through a comprehensive communications strategy that includes regular features in our Company magazine, information posted on the Company's intranet, eBulletins from senior leadership, signs posted in offices, presentations, and workshops.

Stantec tracks lagging indicators (e.g., workers' compensation costs and total recordable injury rates) and leading indicators (e.g., site visits, file reviews, safety meetings, and worksite inspections) to further gauge the effectiveness of the program. The HSE team conducts internal audits to assist in assessing compliance and to identify program strengths and opportunities for improving health and safety performance.

Independent (third-party) audits of the HSE program may also be conducted as necessary to obtain and maintain external certification (e.g., a certificate of recognition). These audits are conducted regularly, often every three years, by an independent auditor. Audit results are documented and reported to the Joint Health and Safety Committee, the regional safety coordinator, local leadership, and the HSE directors. The committee monitors corrective action, addresses deficiencies found during the audit, and facilitates preventive action when required. Responsibility for corrective and preventive action will be assigned and recorded in a Health and Safety Action Plan.

ISO 14001:2004 Registration

To support Stantec's sustainability policy—one that promotes environmental performance improvement and a reduction in our environmental footprint—we developed and implemented a formal environmental management system (EMS). EMS is registered to the ISO 14001:2004 environmental management standard as of January 20, 2012. This ISO standard is recognized internationally, audited annually by an external auditor, and requires leadership to

- Establish environmental performance objectives (e.g., to reduce energy, resource use, and waste)
- Formally report on those objectives within an accountable and transparent framework

Stantec's Sustainability Policy

Stantec is committed to being a leader and model of sustainability. We do business in a way that meets current needs while contributing to an environmentally, socially, and economically sustainable future. This commitment—at the heart of how we operate and deliver solutions to clients—is vital to our long-term success in achieving our vision.

We focus on areas where we can have a significant impact, including the following:

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

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

Stantec strives to achieve the following:

- Environmental progress—lowering our impact on the environment by progressing toward least-impact approaches to resource and energy use, waste, and emissions of carbon and toxins
- Social progress—engaging with stakeholders and supporting the communities we operate in
- Economic viability—demonstrating that our sustainability efforts lead to long-term business vibrancy and viability in concert with our vision, strategic plan, and business objectives

International Operations

In 2013, Stantec remained active internationally; gross revenue from International operations was approximately $78.7 million.

We work "in country" via our permanent offices located in the United Kingdom, the United Arab Emirates, India, Qatar, and Barbados, and we manage and support that work from our offices located in Canada and the United States.

We review all projects for compliance following Stantec's legal, financial, and technical processes. In addition, each in-country project is examined to ensure that any health and safety or political risks are acceptable. All major projects are subject to major project reviews, where applicable, and all projects have an executive leadership sponsor.

Risk Factors

For a review of the risks pertaining to our Company, please refer to our 2013 Management's Discussion and Analysis, pages M-65 to M-73 (incorporated by reference and filed on SEDAR at www.sedar.com).

Dividends

On February 15, 2012, Stantec's board of directors approved a dividend policy and started declaring quarterly dividends after that date. While the Company aims to declare and pay a dividend quarterly, our dividend policy is at the sole discretion of our board of directors and may vary depending on a variety of factors: prevailing economic and market conditions, the Company's earnings, financial requirements for the Company's operations, the business strategy of the Company, and any other factors that our board of directors considers relevant. Therefore, Stantec cannot guarantee that the dividend policy will be maintained.

The following table outlines cash dividends paid per common share for 2013 and 2012:

	Dividends Paid (C$ per common share)				
	Year (Total)	**Q4**	**Q3**	**Q2**	**Q1**
2013	0.66	0.165	0.165	0.165	0.165
2012	0.60	0.15	0.15	0.15	0.15

Description of Capital Structure

Our authorized share capital consists of an unlimited number of preferred shares, issuable in series, and an unlimited number of common shares. As at December 31, 2013, no preferred shares and 46,576,132 common shares were issued and outstanding.

Preferred Shares

Preferred shares may be issued in one or more series. The board of directors determines the number of shares and the rights, privileges, restrictions, and conditions attaching to each series. The holders of the preferred shares as a class are not entitled to receive notice of or to attend any meeting of our shareholders and are not entitled to vote at any shareholders' 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 of the 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 common shares with respect to entitlement to dividends and distribution of assets in the event of the liquidation, dissolution, or winding up of Stantec.

Common Shares

The holders of common shares are entitled to receive, as and when declared by our board of directors, dividends in such amount and in such form as our board of directors may from time to time determine. Holders of common shares are entitled to receive notice of and to attend all shareholders' meetings. They will have one vote for each common share held at all such meetings, unless the meeting is only for holders of another specified class or series of our shares who are entitled to vote separately as a class or series.

Common shares rank behind preferred shares with respect to entitlement to dividends and distribution of assets in the event of the liquidation, dissolution, or winding up of Stantec.

Market for Securities

Trading Price and Volume

Our common shares are listed for trading on the Toronto Stock Exchange (TSX) and New York Stock Exchange (NYSE) under the symbol "STN". Intraday trading information on the TSX for the period January 1 to December 31, 2013, follows:

Toronto Stock Exchange 2013 (Prices in C$)			
Month	**High**	**Low**	**Volume**
January	$ 42.00	$ 39.75	2,711,589
February	$ 43.12	$ 38.30	2,520,559
March	$ 44.98	$ 42.06	1,661,455
April	$ 44.94	$ 42.39	1,711,671
May	$ 45.65	$ 42.00	1,701,597
June	$ 44.50	$ 40.90	1,182,960
July	$ 48.22	$ 43.81	1,444,467
August	$ 51.26	$ 47.63	1,342,799
September	$ 55.65	$ 48.12	1,997,951
October	$ 62.74	$ 52.03	2,067,229
November	$ 70.25	$ 62.41	2,885,850
December	$ 72.34	$ 65.15	2,964,337
TOTAL			24,192,464

The intraday trading information on the NYSE for the period January 1 to December 31, 2013, follows:

New York Stock Exchange 2013 (Prices in US$)			
Month	**High**	**Low**	**Volume**
January	$ 42.55	$ 39.62	223,169
February	$ 41.90	$ 38.25	128,083
March	$ 44.03	$ 40.90	137,182
April	$ 44.34	$ 41.35	149,521
May	$ 44.53	$ 41.65	217,008
June	$ 42.94	$ 39.54	137,198
July	$ 46.52	$ 41.57	173,935
August	$ 49.33	$ 45.36	172,870
September	$ 53.96	$ 45.69	173,953
October	$ 60.04	$ 50.42	215,947
November	$ 66.62	$ 59.82	380,900
December	$ 68.05	$ 61.35	362,900
TOTAL			2,472,666

Directors and Officers

The following table lists Stantec's directors, current to February 26, 2014, their municipality of residence, and their principal occupation:

Directors of Stantec Inc.		
Name and Municipality of Residence	**Principal Occupation**	**Director Since**
DOUGLAS K. AMMERMAN(2) Laguna Beach, California, United States	Corporate Director	2011
DAVID L. EMERSON(2) Vancouver, British Columbia, Canada	Corporate Director and Public Policy Advisor	2009
DELORES M. ETTER(1)(2) Dallas, Texas, United States	Professor of Electrical/Computer Engineering	2011
ANTHONY P. FRANCESCHINI Edmonton, Alberta, Canada	Corporate Director	1994
ROBERT J. GOMES Edmonton, Alberta, Canada	President & CEO of Stantec	2009
SUSAN E. HARTMAN(1) Evergreen, Colorado, United States	President & CEO of The Hartman Group (a management consulting firm)	2004
ARAM H. KEITH(3) Monarch Beach, California, United States	Corporate Director	2005
DONALD J. LOWRY(1) Edmonton, Alberta, Canada	Corporate Director	2013
IVOR M. RUSTE(2) Calgary, Alberta, Canada	Executive Vice President and Chief Financial Officer, Cenovus Energy Inc. (a Canadian oil company)	2007

(1) Member of the Corporate Governance and Compensation Committee. Ms. Hartman is the chair of our Corporate Governance and Compensation Committee.
(2) Member of the Audit and Risk Committee. Mr. Ruste is the chair of our Audit and Risk Committee.
(3) Mr. Keith is the chair of our board.

All of our directors are elected annually and hold office until the next annual shareholders' meeting or until their earlier resignation. All of Stantec's directors have held the positions listed in the previous table or other executive positions with the same or associated firms or organizations during the past five years or more, except for the people listed in the table below:

Director	**Past Occupation**
Mr. Emerson	Senior advisor with the law firm of Farris, Vaughan LLP from November 2008 to November 2009
Mr. Franceschini	Stantec's president & CEO until May 2009
Mr. Gomes	Senior vice president of certain Stantec subsidiaries until May 2009
Mr. Lowry	President & CEO of EPCOR Utilities Inc. until March 2013
Mr. Ruste	Executive vice president, Corporate Responsibility, and Chief Risk Officer of Encana Corporation from May 2006 to November 2009

The following table lists the executive officers of Stantec Inc., current to February 26, 2014, their municipality of residence, and their principal occupation within the five preceding years:

Executive Officers of Stantec Inc.(1)		
Name and Municipality of Residence	**Principal Occupation**	**Officer Position Held**
ROBERT J. GOMES Edmonton, Alberta, Canada	President & CEO	President & CEO, Stantec Inc.
DANIEL J. LEFAIVRE St. Albert, Alberta, Canada	Executive Vice President & CFO	Executive Vice President & CFO, Stantec Inc.
RICHARD K. ALLEN Canton, Massachusetts, United States	Executive Vice President & COO	Executive Vice President & COO, Stantec Inc.
PAUL J. D. ALPERN Edmonton, Alberta, Canada	Senior Vice President, Secretary & General Counsel	Senior Vice President, Secretary & General Counsel, Stantec Inc.

(1) As chair of our board, Aram H. Keith is a non-executive officer of Stantec Inc.

Other than as noted above, all of our executive officers have held the positions listed in the previous table or other executive positions with the same or associated firms or organizations during the past five years or more.

Directors' and Executive Officers' Share Ownership

As a group, our directors and executive officers beneficially owned, controlled, or directed, either directly or indirectly, 460,095 common shares representing 0.99% of our issued and outstanding common shares as of December 31, 2013.

Audit and Risk Committee Information

Audit and Risk Committee Terms of Reference

The responsibilities and duties of our Audit and Risk Committee are set out in the committee's Terms of Reference, attached as Appendix I to this Annual Information Form.

Composition of the Audit and Risk Committee

Our Audit and Risk Committee members are Ivor M. Ruste (chair), Douglas K. Ammerman, David L. Emerson, and Delores M. Etter.

The board of directors believes that the composition of the Audit and Risk Committee reflects an appropriate level of financial literacy and expertise. The board has determined that each committee member is "independent" and "financially literate" (as those terms are defined under applicable Canadian and US securities laws). In addition, Mr. Ruste, Mr. Ammerman and Mr. Emerson are "audit committee financial experts" as this term is defined in the rules and regulations of the U.S. Securities and Exchange Commission (SEC).

Following is a description of each committee member's education and experience (that is relevant to the performance of his or her committee responsibilities).

Ivor M. Ruste
Mr. Ruste is currently executive vice president and chief financial officer for Cenovus Energy Inc., headquartered in Calgary. He has a bachelor of commerce degree (with distinction) from the University of Alberta and is a Fellow Chartered Accountant.

During the period from May 2006 to November 2009, he worked for EnCana Corporation and, before joining Cenovus, was executive vice president, Corporate Responsibility, and chief risk officer at EnCana. From 1998 to 2006, he was the managing partner of the Edmonton office of KPMG LLP (an international audit, tax, and advisory services firm) and the Alberta regional managing partner and vice chair of the KPMG Canada Board of Directors.

As a chartered accountant with 26 years of experience working as an auditor for both public and private companies, Mr. Ruste has reviewed and audited many complex financial statements and prepared interim and annual financial statements in accordance with both Canadian and US generally accepted accounting standards. Over the past 30 years, he has been involved in numerous other business, community, and professional activities.

As of December 31, 2013, Mr. Ruste owned 2,500 common shares valued at $164,650 and 22,949 deferred share units valued at $1,538,043.

Douglas K. Ammerman
Mr. Ammerman is a retired partner with KPMG. Mr. Ammerman was with KPMG for almost 30 years, and during that time, he served as the national practice partner, the managing partner of the Orange County office, and a member of KPMG's nominating committee for its board of directors. He holds a master's degree in business taxation from the University of Southern California, as well as a bachelor of arts degree with an accounting emphasis from California State University at Fullerton.

Mr. Ammerman is past president and director emeritus of the Pacific Club and served in the Reagan administration as Special Assistant to the Secretary of Interior. He currently serves on the board of directors of Fidelity National Financial, Remy International Inc., Quiksilver, William Lyon Homes, and El Pollo Loco.

As of December 31, 2013, Mr. Ammerman owned 3,000 common shares valued at $197,580 and 8,131 deferred share units valued at $544,952.

David L. Emerson
Mr. Emerson, PC, OBC, is a corporate director, public policy advisor, and senior advisor to CAI Managers, a private equity fund. He has served in the Government of Canada, including as Minister of Foreign Affairs, Minister of International Trade, and Minister of Industry. He has also held a number of senior positions in the public service in British Columbia. In the private sector, he was president and chief executive officer of Canfor Corporation, president and CEO of the Vancouver International Airport Authority, and chairman and chief executive officer of Canadian Western Bank.

In addition, Mr. Emerson participates on a number of public policy advisory panels at both the federal and provincial levels.
Mr. Emerson holds bachelor's and master's degrees in economics from the University of Alberta and a doctorate in economics from Queen's University. His education and experience have provided him with a breadth of knowledge regarding complex accounting issues.

As of December 31, 2013, Mr. Emerson owned 5,000 common shares valued at $329,300 and 15,540 deferred share units valued at $1,041,498.

Delores M. Etter
Dr. Etter has been director of the Caruth Institute for Engineering Education and the Texas Instruments Distinguished Chair in Engineering Education at Southern Methodist University since June 2008. From September 2005 to November 2007, she held the position of assistant secretary of the Navy for Research, Development and Acquisition.

Dr. Etter is also a member of the National Academy of Engineering and Fellow of the Institute of Electrical and Electronic Engineers, the American Association for the Advancement of Science, and the American Society for Engineering Education. She has held multiple substantive positions within the U.S. Department of Defense, as well as served on the faculty at the U.S. Naval Academy. Dr. Etter has over 10 years of audit committee experience with other public and non-profit organizations, and her background provides her with all-encompassing business practices that are an asset to the committee.

As of December 31, 2013, Dr. Etter owned 2,655 common shares valued at $174,858 and 8,131 deferred share units valued at $544,952.

Preapproval Policy

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

External Auditor Service Fees

Aggregate fees paid to Ernst & Young LLP, our external auditor, during fiscal years ended December 31, 2013, and 2012 follow:

Category	Note	2013 (C$)	2012 (C$)
Audit fees	1	1,079,000	1,148,000
Audit-related fees	2	26,000	-
Tax fees	3	482,000	532,000
Total		1,587,000	1,680,000

(1) Audit fees—audit services provided by Ernst & Young LLP for the audit and review of Stantec's financial statements or services normally provided by Ernst & Young LLP in connection with statutory and regulatory filings or engagements.
(2) Audit-related fees—assurance and related services provided by Ernst & Young LLP. These services can include accounting consultations and attest services not required by statute or regulation.
(3) Tax fees—professional services rendered by Ernst & Young LLP for income tax compliance. These generally involve the preparation of US original and amended tax returns and claims for refund, tax advice—including assistance with tax audits plus tax advice relating to mergers, acquisitions and financing structures—and tax planning.

Legal Proceedings and Regulatory Actions

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

No penalties or sanctions have been imposed against us by a court relating to provincial and territorial securities legislation or by a securities regulatory authority. Nor have any other penalties or sanctions been imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor in making an investment decision. We have not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

Transfer Agent

Computershare Trust Company of Canada is our transfer agent for our common shares listed on the TSX and NYSE at its offices in Calgary, Alberta; Toronto, Ontario; and Canton, Massachusetts.

Material Contracts

We did not enter into any material contracts outside the ordinary course of business in 2013. We consider the acquisition of professional services firms to be in the ordinary course of our business.

Interests of Experts

The Company's auditors, Ernst & Young LLP, Chartered Accountants, are located at 10020 – 100 th Street, Suite 2200, Edmonton, Alberta. The auditors are independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta and have complied with the SEC's rules on auditor independence.

Additional Information

Financial information is provided in our Management's Discussion and Analysis for our most recently completed financial year. Additional information, contained in our Management Information Circular, includes directors' and officers' remuneration and indebtedness, the principal holders of our securities, and securities authorized for issuance under equity compensation plans.

Copies of this Annual Information Form, as well as our latest Management Information Circular and Annual Report (which includes our Management's Discussion and Analysis and Consolidated Financial Statements for the year ended December 31, 2013), may be obtained from our website at www.stantec.com or by mail on request from the secretary at 10160 – 112 Street, Edmonton, Alberta, T5K 2L6. Disclosure documents and any reports, statements, or other information that we file with Canadian provincial securities commissions or other similar regulatory authorities are also available through SEDAR at www.sedar.com.

NYSE Corporate Governance Disclosure

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

Appendix I – Audit and Risk Committee – Terms of Reference (Mandate)

A Overview and Purpose

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

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

B Authority and Responsibilities

The Audit and Risk Committee shall

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

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

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

D **Financial Statements and Disclosures**

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

2 Review, and recommend to the board for approval, the following public disclosure documents:
- a The annual management information circular and proxy materials
- b The annual information form, including any regulatory requirements for audit and risk committee reporting obligations
- c The year-end news release on the earnings of the corporation
- d Other regulatory filings of a financial nature

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

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

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

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

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

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

9 Review and assess, in conjunction with management and the external auditor, at least annually, or on a quarterly basis where appropriate or required
- a The appropriateness of accounting policies and financial reporting practices used by the corporation, including alternative treatments that are available for consideration
- b Any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the corporation
- c Any new or pending developments in accounting and reporting standards that may affect or impact on the corporation
- d Any off-balance sheet structures
- e The key estimates and judgments of management that may be material to the financial reporting of the corporation

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

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

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

E **External Auditor**

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

14 Review, approve, and execute the annual engagement letter with the external auditor, and ensure that there is a clear understanding between the board, the committee, the external auditor, and management that the external auditor reports directly to the shareholders and the board through the committee. The terms of the engagement letter or the annual audit plan should include, but not be limited to, the following:
- a Staffing
- b Objectives and scope of the external audit work
- c Materiality limits
- d Audit reports required
- e Areas of audit risk
- f Timetable
- g The proposed fees

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

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

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

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

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

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

21 Review with the external auditor the results of the annual audit examination, including, but not limited to, the following:
- a Any difficulties encountered, or restrictions imposed by management, during the annual audit
- b Any significant accounting or financial reporting issues
- c The auditor's evaluation of the corporation's internal controls over financial reporting and management's evaluation thereon, including internal control deficiencies identified by the auditor that have not been previously reported to the committee
- d The auditor's evaluation of the selection and application of accounting principles and estimates and the presentation of disclosures
- e The postaudit or management letter or other material written communications containing any findings or recommendations of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal accounting control weaknesses
- f Any other matters which the external auditor should bring to the attention of the committee

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

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

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

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

F **Internal Audit**

26 Review the appointment or termination of the internal auditor.

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

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

a Staffing
b Objectives and scope of the internal audit work
c Materiality limits
d Audit reports required
e Areas of audit risk
f Timetable
g Proposed budget

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

a Any difficulties encountered, or restrictions imposed by management, during the audit
b Any significant accounting or financial reporting issues
c The auditor's evaluation of the corporation's system of internal accounting controls, procedures, and documentation
d The internal audit reports or other material written communications containing any findings or recommendations of the internal auditor, including management's response thereto and the subsequent follow-up to any identified internal accounting control weaknesses
e Any other matters which the internal auditor should bring to the attention of the committee

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

G **Internal Controls**

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

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

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

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

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

H **Risk**

General

36 Review at least annually with management
- a The corporation's method of identifying, evaluating, mitigating and reporting on the principal risks inherent in the corporation's businesses and strategic directions;
- b The systems, policies and practices applicable to the corporation's assessment, management, prevention and mitigation of risks (including strategic, operating, compliance, reputation as well as financial risks including but not limited to the foreign currency, liquidity and interest rate risk, the use of derivative instruments, counterparty credit exposure, litigation and adequacy of tax provisions); and
- c The corporation's risk appetite, risk tolerance and risk retention philosophy, including the corporation's loss prevention policies and insurance programs and corporate liability protection programs for directors and officers, as well as disaster response and business continuity plans.

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

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

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

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

Finance

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

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

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

I **Compliance/Fraud**

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

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

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

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

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

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

J **Other**

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

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

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

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

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

K **Meetings**

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

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

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

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

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

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

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

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

63 Minutes of the meetings of the committee shall be distributed by the secretary of the corporation to all members of the committee and shall be submitted for approval at the next regular meeting of the committee.


Stantec

Management's Discussion and Analysis

February 26, 2014

This discussion and analysis of Stantec Inc.'s operations, financial position, and cash flows for the year ended December 31, 2013, dated February 26, 2014, should be read in conjunction with the Company's 2013 audited consolidated financial statements and related notes for the year ended December 31, 2013. Our 2013 audited consolidated financial statements and related notes are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Unless otherwise indicated, all amounts shown below are in Canadian dollars.

Additional information regarding the Company, including our Annual Information Form, is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. Such additional information is not incorporated by reference unless otherwise specified and should not be deemed to be made part of this Management's Discussion and Analysis.

Executive Summary

Core Business and Strategy

- We collaborate across disciplines and industries to bring buildings, energy and resource, and infrastructure projects to life. We provide professional consulting services in planning, engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, project management, and project economics. Our promise is to "design with community in mind."

- Our business objective is to be a top 10 global design firm. We plan to achieve a compound average growth rate of 15% through a combination of organic and acquisition growth.

- To achieve our business objective, we focus on the following: using the strength of our local positioning to bring our world-class expertise to the communities in which we live and work; driving a client-focused culture through cross-selling efforts, account management strategies, and strong local relationships; focusing on quality and creativity; positioning ourselves among the top-tier service providers in the sectors and geographic locations in which we operate; and expanding our capabilities and geographic reach through strategic hires and the acquisition and integration of firms that share our vision and culture.

Key Performance Drivers and Capabilities

- Our performance is driven by external factors in the infrastructure and facilities industry and by internal strategic drivers and capabilities that are articulated through our value statements: we put people first, we are better together, we do what is right, and we are driven to achieve.

Results

- **Increased profitability and strong organic growth.** Our gross revenue grew 19.6% in 2013 compared to 2012. Of this gross revenue growth, 8.8% was organic due to increased project activity from the oil and gas and transportation sectors. We achieved an 18.1% increase in our EBITDA, which is our net income before interest expense, income taxes, depreciation, and amortization. (The terms “gross revenue” and “EBITDA” are defined in Definition of Additional IFRS Measures and Definition of Non-IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.) Net income increased 20.8% to $146.2 million compared to $121.0 million in 2012, and our diluted earnings per share increased 18.9% to $3.14 compared to $2.64 in 2012.

- **Growth through acquisition.** Acquisitions completed in 2012 and 2013 contributed $180.6 million to the increase in our gross revenue in 2013 compared to 2012. We completed five acquisitions in 2013 and seven in 2012.

- **Strong balance sheet and liquidity.** Our balance sheet remains solid. The strong cash flows generated from operations supported acquisition growth, reduced long-term debt, and continued dividends. During the year, we extended the maturity date of our existing $350-million revolving credit facility to August 31, 2017. As at December 31, 2013, $297.8 million of additional borrowing was available under our revolving credit facility for future acquisitions, working capital needs, and general corporate purposes.

- **Evolution to business operating units.** In 2014, we will realign our organizational structure from practice area units to three business operating units: Buildings, Energy & Resources, and Infrastructure. Our matrix-based business model and leadership structure will remain structured around geographic diversification and business operating units, and we will continue providing services throughout the project life cycle. We expect the realignment will allow us to better support our clients and better align us with their business drivers.

Outlook

- We believe that we will achieve a moderate increase in organic gross revenue in 2014, with an approximate 4.0% increase compared to 2013. We expect to achieve moderate growth in each of our Canadian, US, and International operations. Compared to 2013, our anticipated 2014 organic gross revenue outlook for our Buildings business operating unit is stable growth and our Energy & Resources and Infrastructure business operating units are moderate growth.

Risks

- Various risk factors could cause our actual results to differ materially from those projected in the Outlook section and forward-looking statements of this report. The material, known risks are described in the Risk Factors section of this report. We expect that the global economic environment will continue to modestly improve; however, pressures such as increased competition, margin compression, project delays, and fiscal rebalancing are lingering. Pressures and uncertainties related to economic recovery, volatility in the Canadian/US exchange rate, volatility in energy and commodity prices, and public infrastructure funding may adversely impact our outlook for 2014.

Core Business and Strategy

Core Business

We collaborate across disciplines and industries to bring buildings, energy and resource, and infrastructure projects to life. Our work—professional consulting in planning, engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, project management, and project economics—begins at the intersection of community, creativity, and client relationships.

Since 1954, our local strength, knowledge, and relationships, coupled with our world-class expertise, have allowed us to go anywhere to meet our clients' needs in more creative and personalized ways. With a long-term commitment to the people and places we serve, Stantec has the unique ability to connect to projects on a personal level and advance the quality of life in communities across the globe.

Business Objective

We are focused on designing for the world around us, and that is why our business objective is to be a top 10 global design firm. We believe continued growth will increase shareholder value and give our employees the opportunity to bring their talent and expertise to top clients with complex projects that span multiple disciplines around the world. We plan to achieve a compound average growth rate of 15% through a combination of organic and acquisition growth.

Strategy

The following discussion includes forward-looking statements. For an outline of the material risks and assumptions associated with these statements, refer to Cautionary Note Regarding Forward-Looking Statements at the end of this report.

To establish a clear plan for achieving our business objective, we have a strategic planning process that consists of three-year cycles between comprehensive strategic review years and interim execution years. In a comprehensive planning year, the long-range (five-year) strategy is developed. In the three interim years, we focus on the implementation and execution of the long-range strategy. Following the 2012 comprehensive planning year, 2013 and 2014 are execution years.

We focused on the execution of our strategy in 2013, the first year of our five-year comprehensive strategic plan. We set out a new purpose—to create communities—and a new promise—to design with community in mind. We also redefined our value system, as follows:

- We put people first
- We are better together
- We do what is right
- We are driven to achieve

Within the value statements, we identified initiatives relating to human capital, learning and growth, clients, business processes, and operational and financial performance.

In 2013, we focused on Company-wide communication of action-oriented values that provide the foundation for the strategic plan, execution of initiatives related to each actionable value, and concentration of our efforts on achieving anticipated outcomes and results. We saw progress in each of the actionable values in 2013. (Our four value statements are further described in the Key Performance Drivers and Capabilities section of this report.)

We seek to achieve our business objective by executing the following strategies:

- *Design.* Focusing on professional consulting, we take on little or no construction risk
- *Community presence.* Using the strength of our local position to bring our world-class expertise to the communities in which we live and work
- *Local and global client focus.* Driving a client-focused culture through cross-selling efforts, account management strategies, and strong local relationships
- *Culture of excellence.* Focusing on quality and creativity to provide value-added services through integrated quality management systems
- *Top-tier positioning.* Positioning ourselves among the top-tier service providers in the sectors and geographic locations in which we operate
- *Expansion of capabilities and geographic reach.* Expanding our capabilities and geographic reach through strategic hires and the acquisition and integration of firms that share our vision and culture
- *Diversification.* Pursuing project and client diversification through a three-dimensional business model, thereby mitigating risk

Business Model

The following information outlines the three main components of our 2013 business model: geographic diversification, practice area unit specialization, and life cycle solutions. For 2014, we are introducing the realignment of our business model from practice area units to business operating units.

Our business model is a key element of our strategy. It is based on providing services across diverse geographic locations, distinct practice area units, and all phases of the infrastructure and facilities project life cycle—planning, design, construction, maintenance, and decommissioning. Because of the diversity of our model, we can generally adapt to changes in market conditions by offsetting decreased demand for services in one practice area unit or geographic location with increased demand for services in another. We believe it allows us to manage risk while continuing to increase our revenue and earnings. Also, it 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 gross revenue.

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

Geographic Diversification

The first element of our business model is geographic diversification. We operate in three main geographic regions: Canada, the United States, and International. In 2013, we earned 58% of our gross revenue in Canada, 39% in the United States, and 3% internationally. Our International offices are in the Caribbean, the United Kingdom, the Middle East, and India. Our aim is to leverage global expertise while focusing on our strong local presence. Over the next five years, we expect the majority of our revenue growth to come from within North America through organic and acquisition growth while we gradually increase our geographic reach in other markets suited for and receptive to our services.

Canada. We have approximately 7,800 employees in Canada. We benefit from a mature market position within each region. In western Canada, primary growth areas include developing our significant multisector opportunities and continued support for developing our presence in the midstream oil and gas market.

To collaboratively pursue clients, we will continue to integrate the business development efforts of our Environmental Services, Power, and Oil & Gas teams in western Canada. In Ontario, we continue to focus on augmenting our existing capabilities, with particular emphasis in the industrial buildings, power, water, and transportation sectors. In Atlantic Canada, our focus remains on the growth of our environmental services, oil and gas, emerging buildings, and mining operations, as well as related infrastructure opportunities that capitalize on our significant local market presence.

We believe that sustainable resource development is important to the future of our Canadian practice. Our joint ventures and partnerships with Aboriginal groups, communities, and governments have given us a substantial local presence, and we believe this presence positions us well to capitalize on future growth opportunities, particularly with our oil and gas and mining clients.

United States. We have approximately 4,900 employees in the United States. Throughout the United States, we are seeing modest growth in our Urban Land business, following several years of retraction. We continue to position ourselves for growth in this sector since we believe the market will gradually recover. Over the past year, we have been successful expanding our services to this market and we see increased opportunities to support service areas, such as transportation, water, and urban development. While healthcare may have experienced a temporary slowdown, we expect that an aging population and impacts from the US Patient Protection and Affordable Care Act will create demand for additional facilities and services.

In 2013, we experienced an increase in our transportation and government funded work. We continue to position the Company to capture and increase our share of the transportation market, and we believe the federal market presents a growth opportunity, given our relatively small presence. Overall, we believe our diverse service mix and maturing presence enable us to pursue additional opportunities, such as large infrastructure projects and long-term client programs. As we observe an increase in projects with alternative project delivery approaches, our design focus and increased size allows us to partner with major contractors to pursue and execute on these projects.

International. We have approximately 500 employees in our International operations. The majority of revenue comes from our Buildings and Mining practices. In 2013, we experienced strong revenue growth in the mining sector and anticipate our work will continue. However, we expect organic growth to level off in the mining sector over the medium term due to the cyclical nature of this business.

To offset this trend, we will focus on leveraging our world-class expertise to offer additional services to top-tier clients. In the buildings market, we are seeing improvements in the healthcare environment in the United Kingdom. We expect to target international expansion in areas where we are well positioned to offer expertise and have developing relationships. We also continue efforts to introduce more of our services to existing clients.

Practice Area Unit Specialization (2013)
Practice area unit specialization is the second element of our business model. In 2013, we provided services in five specialized and distinct practice area unit groupings: Buildings, Environment, Industrial, Transportation, and Urban Land. Focusing on this combination of project services helped differentiate us from our competitors and allowed us to enhance our presence in new geographic locations and markets. In 2013, we earned 18% of our gross revenue in Buildings, 33% in Environment, 24% in Industrial, 15% in Transportation, and 10% in Urban Land.

We are reporting on these practice area units for 2013. In 2014, we will be reporting on business operating units instead. We believe the realignment will allow us to better support our clients. (For further information, see the Evolution to Business Operating Units Specialization section of this report.)

Buildings. We provide integrated architectural and engineering design and consulting services to both private and public sector clients in two practice areas—Architecture and Buildings Engineering. We cover a wide range of building types and market sectors across North America and internationally. Our core services for both new construction and existing buildings include pre-design services (such as project definition, master planning, and facilities planning); architectural and interior design; structural, mechanical, electrical, and specialty engineering services (including performance engineering and sustainability consulting); and postconstruction services (such as commissioning).

Environment. We provide environmental solutions for communities and industry in three practice areas—Water, Environmental Services, and Geotechnical Engineering. Approximately one quarter of our environmental services revenue is specifically water related, including services such as watershed management; water supply, treatment, storage, transmission, and distribution system design; and wastewater collection, pumping, treatment, and disposal. The remainder of our revenue comes from services such as environmental assessment, documentation, planning, and permitting; ecosystem restoration planning and design; environmental site management and remediation; subsurface investigation and characterization; and geotechnical engineering services, including soil structure interaction evaluations. We offer our services to a range of clients—in particular, those in the oil and gas, power, and mining sectors—as part of design, regulatory and permitting, and compliance activities.

Industrial. We provide consulting and design services to private and public sector clients through five practice areas—Industrial Buildings & Facilities, Mining, Oil & Gas, Power, and Program & Project Management. Our core services include planning, functional programming, all aspects of engineering project management, and operational and construction support. Our Program & Project Management practice area delivers specialty services in strategic management consulting and in the management of multibillion-dollar client programs. Our Industrial services also include engineering, procurement, and construction management in specific sectors. As our clients' agents, we provide procurement and construction management support for their projects.

Transportation. Within the one practice area—Transportation—we deliver consulting and design services, including project and construction management, planning, engineering, construction administration, and infrastructure management. More specifically, we prepare transportation master plans for communities; conduct transportation investment studies; plan and design airport, transit, rail, and highway facilities; provide administration and support services for the construction of specific projects; and provide ongoing management planning for the upkeep of transportation facilities.

In addition, our specialized services include simulation modeling, evaluating the effectiveness of alternative transportation demand and supply management techniques, preparing investment-grade revenue studies for funding transportation projects, providing public consultation and environmental assessment skills to build broad public support for infrastructure plans, and designing and implementing integrated infrastructure and asset management systems for all types of transportation infrastructure.

Urban Land. Through two practice areas—Urban Development and Geomatics—we provide planning, landscape architecture, geomatics, engineering, and project management solutions in greenfield, brownfield, and urban and suburban developments. We deliver services principally to land development, residential, municipal, institutional, real estate, and retail and commercial clients. Core services include or relate to conceptual and master planning, development approvals and entitlement, infrastructure design, landscape architecture, and construction review.

Life Cycle Solutions

The third element of our business model is providing 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 (design and construction) as well as during periods of redevelopment or operational spending activity (maintenance and rehabilitation). We believe this strategy enables us to maintain long-term client relationships throughout the life of a project or an infrastructure asset.

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 owner's representative and provide project management, construction management, surveying, and resident engineering services. We focus principally on fee-for-service work and rarely act as the contractor or take on construction risk. During the maintenance phase that follows project completion, we provide ongoing professional services for maintenance and rehabilitation projects in areas such as facilities and infrastructure management, facilities operations, and performance engineering. Finally, in the decommissioning phase, we provide solutions, recommendations, and remediation strategies for taking facilities out of active service.

Evolution to Business Operating Units Specialization

Three years ago, we began to evolve our business model to focus on the top 12 sectors that our clients operate in. This process enabled us to better understand our clients' goals, their market influences, and their business drivers so we could offer multidisciplinary solutions to meet their needs.

In 2014, we will realign our organizational structure from practice area units to three business operating units: Buildings, Energy & Resources, and Infrastructure. We believe that this realignment will result in better support for our clients, stronger accountability for our leadership team, and more opportunities for future growth and success, all while maintaining the core elements of our strategy. Our matrix-based business model and leadership structure will remain organized around geographic diversification and business operating units, and we will continue providing services throughout the project life cycle.

When we realign our 2013 gross revenue earned from our practice area units to business operating units, we earned 22% in Buildings, 43% in Energy & Resources, and 35% in Infrastructure. (Refer to the Results section of this report for additional detail on 2013 figures restated by business operating unit.) The following is a description of our three business operating units, including the services we offer and clients and sectors we serve.

Buildings. Most work in this business operating unit is comprised of front-end services in architecture, buildings engineering, and functional planning for vertical infrastructure. The majority of our revenue relates to private sector clients, with the remaining revenue earned from public sector clients. We provide services in the following sectors: Airports & Aviation, Commercial, Education & Institutional, Healthcare, Industrial Buildings, and Science & Technology.

Energy & Resources. Most of the work in this business operating unit is comprised of front-end environmental services and industrial engineering services primarily for private sector clients in the Mining, Oil & Gas, and Power sectors.

Infrastructure. The majority of revenue in this business operating unit is from front-end design and engineering services, with a small portion from construction management. We provide services in the Community Development, Transportation (Bridges, Roadways, and Transit & Rail), and Water sectors. The Community Development sector primarily serves private sector clients; Transportation and Water sectors primarily serve public sector clients.

Senior Leadership Team

In addition to realigning our organizational structure, we also realigned our senior leadership team into two levels: (1) the Executive Vice President Team (EVPT) and (2) the Executive Leadership Team (ELT). The EVPT consists of the chief executive officer (CEO), chief financial officer (CFO), chief operating officer (COO) and executive vice presidents (EVPs). This team oversees the overall performance of the Company including developing and monitoring the Company's business plan, monitoring financial performance and risks, approving policies and procedures, and overseeing acquisitions and divestitures. The EVPs are specifically responsible for the performance of our regional operating units and our business operating units. The ELT consists of senior vice presidents and certain vice presidents. This team has numerous responsibilities, including the execution of our business plan and the Company's financial management.

Key Performance Drivers and Capabilities

Our key performance drivers are defined by external forces and by internal strategic drivers that are articulated through our value statements: we put people first, we are better together, we do what is right, and we are driven to achieve.

Key External Drivers

Our core business is driven by a number of external industry factors that affect the demand for our services.

Buildings. In our Buildings business operating unit, demographics, aging infrastructure, and technological innovation are the overarching drivers that impact the need for new facilities or renovations and expansions to existing buildings.

Our Healthcare sector is impacted by an aging and growing population and by government funding of capital projects; in particular, health reform and the Patient Protection and Affordable Care Act support capital spending in the United States. Our Education sector is also driven by population growth and government funding as well as by the enrollment level of students in primary schools and postsecondary institutions. In our Airport & Aviation sector, the level of passenger traffic and security requirements influence the building and renovation of airport facilities. The health of the manufacturing industry in North America and process improvements affect the need for industrial buildings and facilities in our Industrial Buildings & Facilities sector. Our Commercial sector is driven, in part, by consumer demand and market penetration related to retail consumption and commercial workspace.

Energy & Resources. Our Energy & Resources business operating unit is driven primarily by commodity prices and the demand in the global economy. In recent years, strong demand for commodities from countries such as China, India, and Brazil has generally caused a rise in the prices of oil, gas, and mineral resources. However, the market is cyclical and can cause dramatic fluctuations in supply and demand conditions, thereby affecting commodity prices, particularly in mining. Environmental regulations and stakeholder engagements also influence the development of energy and resources, especially in North America where assessment, compliance, and monitoring are subject to increasingly stringent requirements.

Our Power sector is more of an infrastructure business, but economic activity also affects power demand and therefore impacts this market to a degree. In addition, Power is influenced by the age of infrastructure and regulations, the location of supply and demand for transmission and distribution, and the level of subsidization related to renewables.

Infrastructure. Our Infrastructure business operating unit is driven by population growth, urbanization, and the continuous need to rehabilitate aging infrastructure. Government funding and environmental regulations impact this market, as do changes in the housing market and special community initiatives. Also, government funding—whether from federal, state/provincial, or municipal levels—generally determines capital spending and infrastructure project priorities. Increasingly, the private sector is influencing this market through engagement in project delivery approaches, such as public-private partnerships (P3), and projects with direct user fees, such as toll roads. Overall, this business operating unit relies heavily on local and regional clients and benefits from Stantec's strong community presence.

Key Internal Drivers

We believe our actionable value statements best reflect what unites Stantec and compel our people to come to work and do their best every day. Our performance depends on our ability to achieve excellence by putting people first, developing strong, long-lasting relationships with each other and our clients, doing what is right, and being driven to achieve at every level. Our value system provides a framework for the strategic initiatives we implement to drive our performance and obtain our overall business objective to be a top 10 global design firm.

We Put People First

We will continue to evolve by attracting talent and developing our people. This entails assessing and guiding current employees, engaging and developing leadership, and ensuring we create an experience and work environment that retains talent. Our total number of employees increased from close to 12,700 in 2012 to approximately 13,200 in 2013. At December 31, 2013, our workforce included about 7,600 professionals, 4,100 technical staff, and 1,500 support personnel.

Employees

We strive to attract and retain the best employees in the field. To do this, we design our programs to be competitive, to be flexible, and to reward top performance. This begins with providing comprehensive benefits programs, including a wellness culture where we provide tools and support to help employees and their families improve their health and well-being. The creation of our People + Practice group was a key element in 2013 that elevated the strategic function of human capital management and tied our people strategy directly to our professional practice, ethics and integrity, and professional excellence.

In 2013, we formalized succession planning and implemented a career streams approach in line with our annual Career Development and Performance Review process. These three career streams—business, practice, and projects—provide employees with career development direction and growth opportunities.

In addition, we focused on developing a comprehensive, blended learning environment for our employees that combines experiential on-the-job training, coaching and mentorship, improved tools and practices, and external networks. In 2014, we will continue enhancing our culture of coaching and mentoring, including on-the-job coaching by supervisors and project managers, and continue aligning individual learning and overall programs within career streams. In 2013 we also created a Diversity and Inclusion Committee to foster a workplace that is supportive of the unique differences among our clients and employees.

We measure the success of our various initiatives through employee surveys, 360-degree feedback, and exit interviews. The results help us develop future programs and initiatives.

Leadership

Our ability to align the activities of our senior managers with our short- and long-term financial and strategic goals is a key driver for our success. In addition to fixed salaries, we provide short- and long-term compensation on a discretionary basis, designed to reward our senior managers (including our CFO and COO, regional operating unit leaders, and practice area unit leaders) for their individual and corporate contributions to meeting our objectives.

For our senior managers and other key employees, the short-term compensation includes an annual cash bonus. The total amount available in the annual bonus pool is calculated as a percentage of our annual pre-tax, pre-bonus net income, which encourages our senior managers to achieve profitable business results. To determine the awards for the year, we evaluate each eligible employee's personal contributions to our Company-wide profitability and performance. In our view, this creates a sense of shared responsibility for achieving outstanding business results and meeting our clients' needs.

Historically, senior vice presidents have received 25.0% of their annual bonus in an allotment of restricted share units, which they receive after two years as cash equal to the units' market value. The market value of the units is based on the market value of our shares. Restricted share units will not be granted for performance in 2014. Our revised 2014 compensation program for the senior leadership team provides a mix of base salary, short-term incentive cash bonuses, and long-term incentives using both stock options and performance share units (PSUs). We believe this plan further invests our senior leadership team in our long-term share performance. (See the Evolution to Business Operating Units Specialization section of this report for details about our senior leadership team.)

As part of long-term compensation for key staff, we grant options through our employee share option plan, further aligning our key staff's interests with our shareholders' and encouraging them to remain with us over the long term. In 2013, the number of options available for issuance was tied to the achievement of two key performance metrics contained in our strategic plan: earnings per share and pre-tax, pre-bonus net income as a percentage of net revenue (net revenue is defined in Definition of Additional IFRS Measures and Definition of Non-IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this report). In 2014, we will continue to issue stock options and will supplement our long-term incentive plan for our senior leadership team with PSUs.

Similarly, in 2013, our CEO's compensation package, which is governed by the terms of his employment agreement, includes a base salary, an annual bonus calculated as a percentage of our pre-tax, pre-bonus income, and a prescribed allotment of deferred share units. Our CEO was not eligible to receive options. Effective in 2014, our CEO entered into a new employment contract with the Company, which provides for greater alignment between his compensation program and the rest of our senior leadership team's compensation, as well as our long-term shareholder interests. His bonus will be evaluated annually based on the achievement of corporate and individual performance metrics, and he will be awarded annual long-term incentive grants of stock options and PSUs.

We require our CEO, COO, CFO, and executive vice presidents to own a minimum number of shares in the Company. These executives must own a multiple of their base salary in shares. We believe our long-term incentive programs and the minimum ownership requirement provide the appropriate incentives for our Executive Vice President Team to achieve growth in our share price, thereby aligning their compensation with the interests of shareholders.

We Are Better Together

Strong, long-lasting relationships are at the center of everything we do, and they directly impact our employees and clients, as well as project success. Each employee brings individual strengths to the Company, whether that is technical expertise, particular sector experience, or exceptional client relationships. When we combine those strengths, we believe we reach our full potential as an organization and that we are a trusted advisor to our clients.

Our ability to attract and retain top clients drives the success of our business. Currently, a majority of our business comes through repeat clients, and our 10 largest clients account for about 15% of our revenue. In 2013, we focused on the continued evolution of the organization and the enhancement of two key strategies: client development and community engagement.

Organizational Evolution

By defining our purpose and promise through a Company-wide brand positioning rollout program in 2013, we strengthened our brand strategy to leverage global expertise while focusing on our strong local presence. In 2013, we began the process of realigning our internal structure to better serve our clients, and we formalized business operating units to emphasize our client-focused culture. This realignment is further described in the Evolution to Business Operating Units Specialization section of this report.

Client Development and Account Management

We continue to pursue a client strategy that focuses on growing global accounts while augmenting the strength of our local client base and differentiating us from our peers in the marketplace. The purpose of our account management system is to position Stantec for sustainable organic growth. To meet the goal of finding and

retaining top clients, we develop targeted marketing and business development plans for these clients. This activity is completed by geographic area for regional and local clients and by sector for global and national clients. By better understanding our top clients, we can increase our ability to provide services that enhance their success and, in turn, create organic growth for our Company.

Community Engagement

Our purpose is to create communities. At Stantec, we aim to be active members in our communities, making lasting connections with the people where we live and work. We partner with a number of charitable and community organizations regularly to help support their growth and development, working on social projects, environmental projects, charitable initiatives, and more.

In every region, we make decisions locally, with local input and focus. We recognize that local staff best understand how to match our resources and unique capabilities with the priorities of their communities and how to provide support to the organizations that make a difference. Corporately, we provide the framework that guides decision making to ensure our community investments align with our organizational objectives and resonate with our employees and business leaders in the communities we serve.

We Do What Is Right

Doing what is right means paying attention to the impact of every decision we make about how we do business. It means holding ourselves to a high standard of ethics and integrity in everything we do and committing to professional excellence in a manner that fosters a culture of safety and sustainability that is both innovative and forward looking.

Ethics and Integrity

Our reputation remains one of our most significant assets; therefore, we continue to focus on alignment with our integrity and ethics policies. For example, we conduct annual compliance training for all employees. We are—and should be—held to a high standard of business practices. At Stantec, we articulate our high standard through our project management framework, code of ethics, and policies and practices.

Professional Excellence

We are committed to efficient and high-quality project execution within a framework that incorporates ethics, safety, sustainability, innovation, and profitability. Our project management framework helps us improve project planning, remain committed to quality assurance, and fulfill peer review requirements.

We always strive to enhance our project execution and forecasting ability and to facilitate more efficient resource management. Currently, we use a diverse range of tools, including our enterprise management system, to execute projects effectively, and we will continue to invest in these tools in 2014.

Our integrated management system clarifies expectations for project delivery and client service excellence and conveys the steps employees must take to achieve more consistent and successful project outcomes. This system is certified to the International Organization for Standardization (ISO) 9001:2008 (Quality Management), ISO 14001:2004 (Environmental Management), and ISO 20000-1:2011 (IT Service Management System) standards. We believe that benchmarking against internationally recognized management standards such as ISO provides transparent accountability that aligns with industry best practices, and we believe this ultimately improves client service delivery and satisfaction.

We operate in a diverse regulatory environment and are committed to compliance with regulatory requirements. For instance, we comply with financial reporting standards and controls and with employment practices. We also demonstrate our commitment to excellence through our documented policies and procedures. Our Company continues to ensure efficient and quality project execution, compliance with regulations, and a culture of safety.

Sustainability

We commit to doing what is right by demonstrating the values of social, economic, and environmental responsibility through the implementation of various programs.

In our operations, we are committed to reducing our negative impact on the environment by progressing toward least-impact approaches to energy consumption, paper consumption, and waste disposal. We track and report our progress in our annual sustainability report, in the Carbon Disclosure Project (CDP), and through certification to ISO 14001:2004 (Environmental Management). In 2014, we will continue to focus on meeting established targets to reduce the environmental impacts that result from our operations.

Stantec is at the forefront in the rapidly emerging field of Integrated Infrastructure and the implementation of a new planning framework and evaluation system called Envision™, developed by the Institute for Sustainable Infrastructure and the Harvard Graduate School of Design. Envision provides a holistic framework for planning, designing, evaluating, and rating the community, environmental, and economic benefits of infrastructure projects and systems. In 2013, we progressed toward meeting our commitment to train more than 100 professionals in Envision planning. In 2014, we will continue to focus on Envision training and delivering integrated infrastructure solutions to our clients.

We Are Driven to Achieve

Achievement at every level begins and ends with a firm commitment to being the best that we can be.

To capitalize on market opportunities and core strengths, we identify and adapt to changing market conditions in our various sectors. We identify growth opportunities, both organically and by acquisition, where we are well positioned and able to effectively manage risk. We remain committed to growing our top and bottom line through continued focus on design services and by maintaining a low-to moderate-risk profile.

Growth Opportunities

Our aim is to achieve consistent growth and profitability. We will do this by sustaining a culture of excellence that remains committed to our clients, our people, our communities, and our shareholders. Over the five-year plan, we intend to maintain our diversification strategy to ensure an appropriate balance within our sector mix.

Our approach to regional growth is to effectively service our existing regional and local clients, develop new relationships, and grow our reputation and business where opportunities exist. Achieving a high level of market presence in the communities we serve is a key driver to our success. Our target is to be among the top-tier service providers in each of our regions and sectors. With this level of market presence, we are less likely to be affected by downturns in regional economies.

Our strong presence in Canadian markets gives us the ability to capitalize on opportunities within each of our regions. We continue to pursue sustainable growth of our operations in the North, thereby providing additional strength to our Canadian presence. In the United States, our market position is growing, and we have taken strong steps to better position ourselves as a national firm. We have an emerging international presence, mainly in Buildings and our Mining sector, and we aim to grow organically by introducing more services to current and new clients.

Organic growth has been and continues to be a key driver to our success. To achieve growth, we leverage client relationships through our sector approach, cross-selling, and account management programs, and refine internal strategies that foster a culture of revenue generation in all areas of the Company.

Acquisitions are a key component of our strategy, and broadening our capabilities and geographic coverage enables us to better service our clients and achieve growth. Therefore, we maintain a consistent approach to sourcing firms that align with our Company's culture and strategy. We continue to target these "right fit" firms based on sector and regional priorities, while remaining open to new opportunities. We pursue targeted and focused international expansion organically, leveraging our world-class capabilities and developing relationships.

Because we operate in an industry that includes more than 50,000 firms, most of which are small, we are confident that we can continue to take advantage of acquisition opportunities. According to internal analysis and *Engineering News-Record*'s 2013 report on the top 500 design firms, the largest engineering and architecture companies (our principal competitors) operating in North America generate about US$95 billion in annual fees. Currently, our share is approximately 2%.

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

We measure our success integrating acquired employees by using a post-integration survey and assessing the survey results to improve future integration activities. We also monitor leadership retention from acquisitions, key project submissions, key client pursuits, and teaming with existing practices. In addition, we measure our growth success by monitoring our year-over-year increase in gross revenue attributable to organic and acquisition growth.

Financing

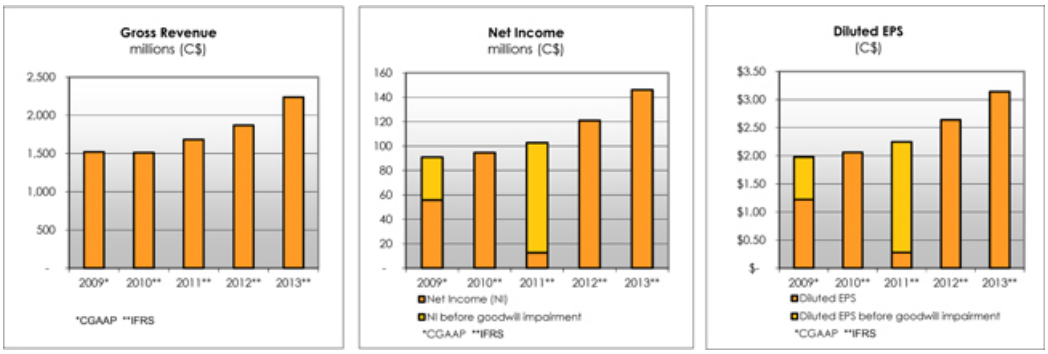
Our continued ability to finance our growth plan supports our success. Adequate financing gives us the flexibility to acquire firms that are appropriate for our vision and complement our business model.

Since we became publicly traded on the Toronto Stock Exchange (TSX) in 1994, we have increased our gross revenue at a compound annual rate of 18.5%. To fund acquisition growth, we require cash generated from both internal and external sources. Historically, we have completed acquisitions using almost exclusively cash generated from operations and vendor notes.

In 2013, we extended the maturity date of our existing $350-million revolving credit facility to August 31, 2017. This facility also gives us access to additional funds, subject to approval from our lenders. In 2012, we increased the limit to these additional funds from $75 million to $150 million. At December 31, 2013, we had $297.8 million of additional borrowing available under the facility. In 2011, we issued $70 million of 4.332% secured notes due May 10, 2016, and $55 million of 4.757% senior secured notes due May 10, 2018, which were used to repay existing debt.

RESULTS

Overall Annual Performance



In 2013, we achieved strong results and quarterly growth momentum, allowing us to meet or perform better than our expectations and targets. We completed five acquisitions in the year and had strong organic revenue growth—mainly from our Environment, Industrial, and Transportation practice area units—because of increased project activity in the oil and gas and transportation sectors.

The following highlights other major financial achievements and strategic activities in 2013 that contributed to our financial performance and overall financial condition:

- **Continuous profitability.** Since the inception of our Company, we have achieved uninterrupted profitability. We ended the year with 19.6% growth in gross revenue, an 18.1% increase in EBITDA, a 20.8% increase in net income, and an 18.9% increase in diluted earnings per share compared to 2012.

- **Growth through acquisitions.** Acquisitions completed in 2012 and 2013 contributed $180.6 million to the increase in our gross revenue in 2013 compared to 2012.

- **Strong organic growth.** In 2013, we achieved strong organic revenue growth, showing positive momentum every quarter. By consistently executing our business strategy, we were able to capitalize on opportunities to increase our project activity in the oil and gas and transportation sectors. Organic growth for gross revenue was 8.8% and for net revenue was 7.6% in 2013 compared to 2012. Organic growth occurred in all our geographic regions—Canada, United States, and International—and in our Environment, Industrial, Transportation, and Urban Land practice area units.

- **Strong balance sheet and liquidity.** Our balance sheet remains solid. Operating cash flows increased from $180.5 million in 2012 to $272.1 million in 2013. This strong cash flow supported acquisition growth, a $61.2 million reduction in long-term debt, and continued dividends. During the year, we extended the maturity date of our existing $350-million revolving credit facility to August 31, 2017. As at December 31, 2013, $297.8 million of additional borrowing was available under our revolving credit facility for future acquisitions, working capital needs, and general corporate purposes.

- **Refreshed our brand.** In September, we refreshed our brand and launched a new visual identity as part of our continuing evolution. This renewal articulates our ongoing commitment to community, creativity, and client relationships—something clients and employees have said they believe is a strong part of our identity. The new brand further supports our primary business objective to be a top 10 global design firm by reinforcing our Company's strategy.

- **Evolution to business operating units.** In 2014, we will realign our organizational structure from practice area units to three business operating units: Buildings, Energy & Resources, and Infrastructure.

Selected Annual Information

The following table highlights trending of certain annual information:

(In millions of Canadian dollars, except per share and share amounts)	**2013**	**2013 vs. 2012 (%)**	**2012***	**2012 vs. 2011 (%)**	**2011**
Gross revenue *(note 1)*	2,236.4	19.6%	1,870.3	11.1%	1,683.4
Net revenue *(note 1)*	1,832.4	17.9%	1,553.8	12.7%	1,378.5
EBITDA *(note 2)*	261.1	18.1%	221.0	12.9%	195.7
Net income *(note 3)*	146.2	20.8%	121.0	n/m	12.7
Earnings per share – basic *(note 3)*	3.16	19.2%	2.65	n/m	0.28
Earnings per share – diluted *(note 3)*	3.14	18.9%	2.64	n/m	0.28
Cash dividends declared per common share	0.66	10.0%	0.60	n/m	Nil
Total assets	1,668.2	13.9%	1,464.2	10.3%	1,327.4
Total long-term debt	238.1	(20.4%)	299.3	1.0%	296.2
Cash flows					
From operating activities	272.1		180.6		114.6
Used in investing activities	(117.4)		(143.2)		(99.4)
Used in financing activities	(54.2)		(31.3)		(41.9)
Outstanding common shares as at					
December 31	46,576,132		45,983,894		45,523,585
February 26, 2014	46,624,382				
Outstanding share options as at					
December 31	1,305,415		1,475,823		1,578,300
February 26, 2014	1,253,498				

n/m = not meaningful

note 1: Gross revenue and net revenue are defined in Definition of Additional IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section (the "Definitions section") of this report.

note 2: EBITDA is calculated as net income before income taxes plus net interest expense, amortization of intangible assets, depreciation of property and equipment, and goodwill and intangible impairment (further discussed in the Definitions section of this report).

note 3: Net income, basic earnings per share, and diluted earnings per share would have been $102.7 million, $2.25, and $2.25, respectively, without the $90 million goodwill impairment charge in 2011.

** Certain figures for 2012 have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).*

2013 vs. 2012. The five acquisitions completed in 2013 and the seven completed in 2012 contributed to our year-over-year growth in gross revenue and EBITDA and growth in net income, as well as our basic and diluted earnings per share. This acquisition growth was supplemented by stronger organic growth in 2013 than in 2012. As a result of organic growth, gross revenue increased 8.8% and net revenue increased 7.6%. Organic growth occurred in all geographic regions and in all practice area units except Buildings, mainly due to intensified competition and the softening of the buildings market, particularly in healthcare. Organic growth in other practice area units was mainly a result of our increased project activity in the oil and gas and transportation sectors.

Our 2013 EBITDA was impacted by a decrease in our gross margin—from 55.0% in 2012 to 54.7% in 2013—while our administrative and marketing expenses as a percentage of net revenue remained the same as 2012 at 40.7%. (Gross margin is defined in the Definitions section of this report.) Our gross margin declined slightly in 2013 because our revenue base grew in lower margin operations (Industrial and Transportation in the United States), resulting in an overall lower 2013 consolidated gross margin. The growth in net income and basic and diluted earnings per share over 2012 was a result of the above-noted factors.

2012 vs. 2011. The growth in our gross revenue and EBITDA in 2012 compared to 2011 resulted from acquisitions: seven completed in 2012 and five completed in 2011. Also, gross revenue increased 5.6% and net revenue increased 6.5% as a result of organic growth. Organic growth occurred in our Canadian and International operations—mainly in our Environment, Industrial, and Urban Land practice area units—because of increased project activity in the oil and gas, mining, water, and urban development sectors.

Our 2012 EBITDA was impacted by a decrease in our gross margin—from 55.4% in 2011 to 55.0% in 2012—and a decrease in our administrative and marketing expenses as a percentage of net revenue—from 41.0% in 2011 to 40.7% in 2012. Our gross margin declined in 2012 because of the mix of projects during the year, lower margins for certain legacy client service agreements from acquisitions, and increased competition in our Transportation practice area unit, particularly in our Canadian market. In addition, during 2012, our revenue base grew in lower margin operations (Industrial and Transportation in the United States), resulting in an overall lower 2012 consolidated gross margin. Our administrative and marketing expenses declined in 2012 as a result of our continued focus on managing our costs and operational efficiencies. The growth in net income and basic and diluted earnings per share over 2011 was a result of the above-noted factors (excluding the impact of the goodwill impairment charge of 2011).

Results Compared to 2012 Targets

In our 2012 Management's Discussion and Analysis, we established various ranges of expected performance for 2013. The following table presents the results we achieved in 2013:

Measure	2013 Target Range	Results Achieved
Gross margin as % of net revenue	Between 54.5 and 56.5%	54.7% ü
Administrative and marketing expenses as % of net revenue	Between 41 and 43%	40.7% ü
Net income as % of net revenue	At or above 6%	8.0% ü
Effective income tax rate	At or below 28.5%	26.5% ü
Return on equity *(notes 1 and 3)*	At or above 14%	18.2% ü
Net debt to EBITDA *(notes 2 and 3)*	Below 2.5	0.36 ü

note 1: Return on equity is calculated as net income for the last four quarters, divided by the average shareholders' equity over each of the last four quarters.
note 2: Net debt to EBITDA is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash and cash equivalents, divided by (2) EBITDA which is, calculated as income before income taxes plus net interest expense, amortization of intangible assets, depreciation of property and equipment, and goodwill and intangible impairment.
note 3: Return on equity and net debt to EBITDA are non-IFRS measures (discussed in Definition of Non-IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this report).
ü *Met or performed better than target*

In 2013, we met or performed better than all of our targets.

Acquisitions

Consideration for acquisitions completed was $11.4 million in 2013 and $102.1 million in 2012. We completed the following acquisitions in 2013:

- On May 31, we acquired IBE Consulting Engineers, Inc. (IBE), adding approximately 50 staff to our Company. This addition enhances our buildings engineering presence on the US West Coast.
- On May 31, we acquired Ashley-Pryce Interior Designers Inc. (AP/ID), adding approximately 10 staff to our Company. This addition enhances our interior design presence in British Columbia.
- On June 28, we acquired Roth Hill, LLC (Roth Hill), adding approximately 30 staff to our Company. This addition expands our water and wastewater capabilities in the Pacific Northwest.
- On November 1, we acquired JDA Architects Limited (JDA), adding approximately 25 staff to our Company. This addition complements our existing presence in Atlantic Canada.
- On November 29, we acquired Cambria Gordon Ltd. (CGL), adding approximately 25 staff to our Company. This addition expands our environmental services in northwest British Columbia.

Discussion of Operations

Our Company operates in one reportable segment: Consulting Services. We provide knowledge-based solutions for infrastructure and facilities projects through value-added professional services, principally under fee-for-service agreements with clients. The following table summarizes key operating results on a percentage of net revenue basis and the percentage increase in the dollar amount for each key operating result:

	Year Ended Dec 31		
	Percentage of Net Revenue		Percentage Increase (Decrease) *
	2013	2012	2013 vs . 2012
Gross revenue	122.0%	120.4%	19.6%
Net revenue	100.0%	100.0%	17.9%
Direct payroll costs	45.3%	45.0%	18.6%
Gross margin	54.7%	55.0%	17.4%
Administrative and marketing expenses	40.7%	40.7%	18.0%
Depreciation of property and equipment	1.8%	1.8%	16.5%
Amortization of intangible assets	1.2%	1.3%	6.0%
Net interest expense	0.5%	0.6%	(1.1%)
Other net finance expense	(0.2%)	0.1%	(142.9%)
Share of income from joint ventures and associates	(0.1%)	(0.1%)	15.0%
Foreign exchange (gain) loss	0.0%	0.0%	n/m
Other (income) expense	(0.1%)	0.0%	n/m
Income before income taxes	10.9%	10.6%	20.9%
Income taxes	2.9%	2.8%	21.1%
Net income	8.0%	7.8%	20.8%

** % increase (decrease) calculated based on the dollar change from the comparable period.*
Note: Comparative figures have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).
n/m = not meaningful

The percentage increase in gross and net revenue in 2013 compared to 2012 was due to acquisition growth and organic growth in all practice area units, with the exception of Buildings, which experienced no organic growth (further explained in the Gross and Net Revenue section that follows). In 2013, administrative and marketing expenses and depreciation of property and equipment, both as a percentage of net revenue, remained the same as 2012, and interest expense as a percentage of net revenue decreased compared to 2012 (further explained in the respective sections of this report). Our net income for 2013 increased by 20.8%.

Gross and Net Revenue

The following discussion includes forward-looking statements. For an outline of the material risks and assumptions associated with these statements, refer to Cautionary Note Regarding Forward-Looking Statements at the end of this report. For definitions of gross revenue and net revenue, refer to Definition of Additional IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.

Revenue earned by acquired companies in the first 12 months following acquisition is reported as revenue from acquisitions and, thereafter, as organic growth.

Each practice area unit generates a portion of gross revenue in the United States. The value of the Canadian dollar averaged US$0.97 in 2013 compared to the Canadian dollar being at par to the US dollar in 2012. This represents a 3.0% decrease. The weakening of the Canadian dollar for the year had a positive effect on revenue reported in 2013 compared to 2012.

The following tables summarize the impact of acquisition growth, organic growth, and foreign exchange on our gross and net revenue for 2013 compared to 2012:

Gross Revenue

(In millions of Canadian dollars)	**2013 vs . 2012**
Increase due to	
Acquisition growth	180.6
Organic growth	163.7
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	21.8
Total net increase in gross revenue	366.1

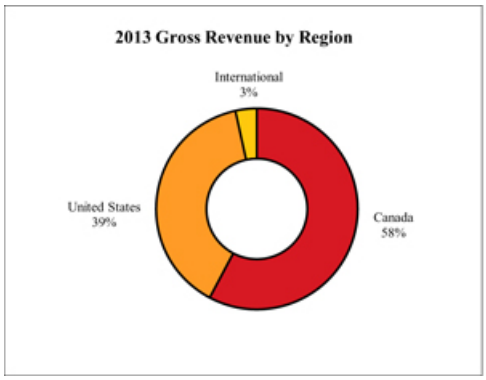
Note: Comparative figures have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).

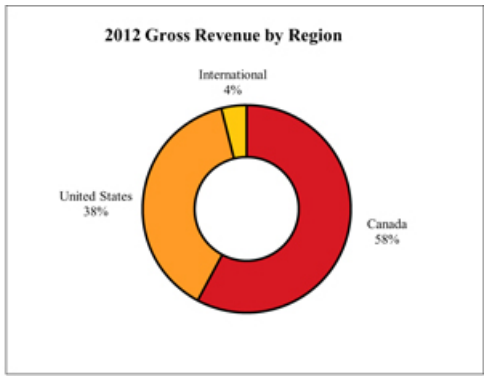
Net Revenue

(In millions of Canadian dollars)	**2013 vs .2012**
Increase due to	
Acquisition growth	143.8
Organic growth	117.5
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	17.3
Total net increase in net revenue	278.6

Note: Comparative figures have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).

The increase in acquisition gross and net revenue in 2013 compared to 2012 was due to the revenue earned in 2013 that was attributed to the acquisitions listed in the Gross Revenue by Region and Gross Revenue by Practice Area Unit sections below. We experienced increases in organic gross revenue in 2013 compared to 2012 in all regions and in all practice area units, except Buildings (as described further on in this report).





The following table summarizes the growth in gross revenue by region for 2013 compared to 2012:

Gross Revenue by Region

(In millions of Canadian dollars)	Year Ended Dec 31, 2013	Year Ended Dec 31, 2012	Total Change	Change Due to Acquisitions	Change Due to Organic Growth	Change Due to Foreign Exchange
Canada	1,290.2	1,081.0	209.2	69.7	139.5	n/a
United States	867.5	715.9	151.6	110.9	18.9	21.8
International	78.7	73.4	5.3	-	5.3	-
Total	2,236.4	1,870.3	366.1	180.6	163.7	21.8

Note: Comparative figures have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).

n/a = not applicable

Total gross revenue was positively impacted by acquisitions completed in 2012 and 2013, by organic growth, and by the average value of the Canadian dollar weakening against the US dollar in 2013 compared to 2012.

Following is a list of acquisitions completed in 2012 and 2013 that impacted specific regions during 2013:

- **Canada**: PHB Group Inc. (PHB) (May 2012); Cimarron Engineering Ltd. (Cimarron) (August 2012); Architecture 2000 Inc. (November 2012); Ashley-Pryce Interior Designers Inc. (AP/ID) (May 2013); JDA Architects Limited (JDA) (November 2013); and Cambria Gordon Ltd. (CGL) (November 2013)

- **United States**: ABMB Engineers, Inc. (ABMB) (May 2012); Corzo Castella Carballo Thompson Salman, P.A. (C3TS) (November 2012); Greenhorne & O'Mara, Inc. (G&O) (December 2012); Landmark Survey and Mapping Inc. (LSM) (December 2012); IBE Consulting Engineers, Inc. (IBE) (May 2013); and Roth Hill, LLC (Roth Hill) (June 2013)

Canada. Gross revenue in our Canadian operations increased by 19.4% in 2013 compared to 2012. This increase resulted from acquisition and organic growth. The 12.9% increase in organic growth resulted mainly from an increase in oil and gas activity, which was partly offset by decreased activity in our Buildings practice in 2013 compared to 2012.

In 2013, resource-related activity in western Canada was robust, allowing for related private infrastructure investment. Opportunities for the transport of oil and natural gas meant increased activity in large-scale projects in Canada's oil and gas sector, especially in the west. The desire to transport Canadian oil and gas products for export generated opportunities for interprovincial pipelines and associated marine facilities. Because of steady growth in the midstream oil and gas market, we continue to provide environmental and engineering services to private sector clients.

Our Mining practice had a stable level of activity in 2013. A strong resource market also contributed to solid activity in the residential market in western Canada.

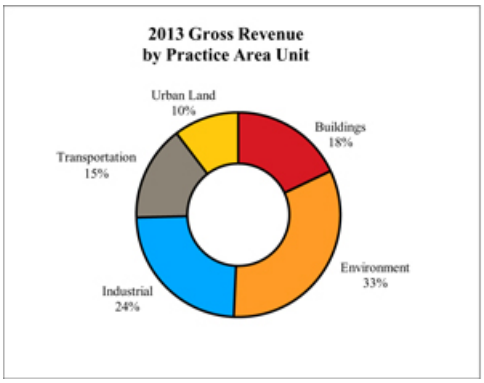
In the public sector, federal and provincial budgets maintained stable levels for infrastructure funding. The public-private partnership (P3) model continued to be supported, and new P3 projects were released, particularly in Ontario and British Columbia. Increasingly, P3s were pursued at the municipal level.

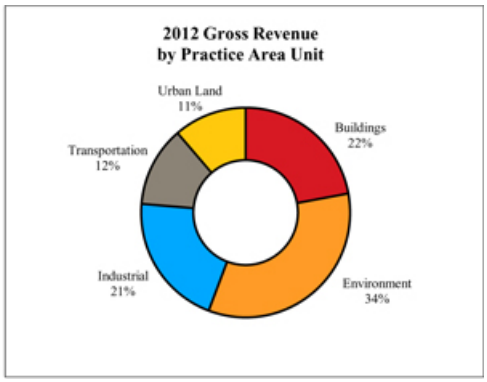
United States. Gross revenue in our US operations increased by 21.2% in 2013 compared to 2012. This increase resulted mainly from acquisition growth, especially in our Transportation practice area unit. Organic gross revenue grew by 2.6% in 2013 compared to 2012. Synergies between existing operations and acquired companies in US East contributed to organic growth, particularly in our Transportation practice. Organic growth also resulted from increased activity in the oil and gas sector. Geotechnical Engineering grew organically due to increased work for the Tennessee Valley Authority. Increases in organic gross revenue were partly offset by retractions in our Buildings, Mining, and Power practices in 2013 compared to 2012.

The public sector was characterized by uncertainty in the political and regulatory environment, notably at the federal level. Indecision about implementing the Patient Protection and Affordable Care Act impacted our clients' long-term capital plans, resulting in a reduction of activity in our Buildings practice. Uncertainty also existed in emissions and environmental regulations, which affected clients in power, energy, and resources. In the transportation and water sectors, public sector budgets remained tight, although they did gradually improve overall, providing steady opportunities at the state and municipal levels. In response to fiscal constraints, P3s slowly emerged in 2013, though this project delivery approach has yet to fully take hold in the United States.

In the private sector, we saw increased activity in some locations and in the energy sector. In the urban development sector, we have yet to see a full housing market recovery because of factors that affect public confidence, such as the uncertain political environment and unemployment levels. In 2013, we maintained our position in the resource-related market by supporting infrastructure development in the oil and gas sector, and we continue to win buildings-related projects in spite of the softened healthcare market.

International. Gross revenue in our International operations increased by 7.2% in 2013 compared to 2012. This increase resulted from organic growth, particularly in the Middle East. The volume of projects in 2013 compared to 2012 increased mostly in our Buildings and Mining practices, predominately for private sector clients. In our Mining practice, our top-tier expertise in underground engineering enabled us to continue working for major global clients—in spite of a general slowdown in the mining industry.





The following table summarizes our gross revenue by practice area unit for 2013 compared to 2012:

Gross Revenue by Practice Area Unit

(In millions of Canadian dollars, except %)	2013	% of Consulting Services Gross Revenue	2012	% of Consulting Services Gross Revenue	% Change in Gross Revenue 2013 vs. 2012
Buildings	401.8	18.0%	413.2	22.1%	(2.8%)
Environment	732.3	32.7%	629.5	33.6%	16.3%
Industrial	533.5	23.8%	384.8	20.6%	38.6%
Transportation	337.2	15.1%	231.5	12.4%	45.7%
Urban Land	231.6	10.4%	211.3	11.3%	9.6%
Total	2,236.4	100.0%	1,870.3	100.0%	19.6%

Note: Comparative figures have been restated due to a realignment of several practice components between our Transportation and Urban Land practice area units and due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).

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

Gross Revenue by Practice Area Unit

(In millions of Canadian dollars)	2013 Compared to 2012 Total Change	Change Due to Acquisitions	Change Due to Organic Growth	Change Due to Foreign Exchange
Buildings	(11.4)	9.4	(25.0)	4.2
Environment	102.8	9.9	85.0	7.9
Industrial	148.7	69.5	77.0	2.2
Transportation	105.7	80.7	19.8	5.2
Urban Land	20.3	11.1	6.9	2.3
Total	366.1	180.6	163.7	21.8

Note: Comparative figures have been restated due to a realignment of several practice components between our Transportation and Urban Land practice area units and due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).

The following summarizes the acquisitions completed in 2012 and 2013 that impacted specific practice area units during the year:

- **Buildings:** PHB (May 2012); Architecture 2000 Inc. (November 2012); IBE (May 2013); AP/ID (May 2013); and JDA (November 2013)
- **Environment:** G&O (December 2012); Roth Hill (June 2013); and CGL (November 2013)
- **Industrial:** Cimarron (August 2012) and LSM (December 2012)
- **Transportation:** ABMB (May 2012); C3TS (November 2012); and G&O (December 2012)
- **Urban Land:** G&O (December 2012)

Buildings. The Buildings practice area unit had a 6.1% organic gross revenue retraction in 2013 compared to 2012. This retraction resulted from the softening buildings market in 2013, intensified competition, and reduced availability of funding for public sector projects. The Buildings practice area unit managed costs in accordance with the softening market, monitored backlog throughout the year, and made adjustments to align staffing levels with workload.

During 2013, additional competition continued to challenge all consulting firms to maintain market share and intensified pressure to provide more services for lower fees. However, in Canada and the United States, we continued to secure projects in our key market sectors: healthcare, education, and aviation. For example, during the fourth quarter of 2013, we secured a project where we are one of the providers of architectural, laboratory programming, and planning and design work for the Multidisciplinary Research and Engineering Building at the University of Houston in Texas.

Uncertainty in public project funding in education and healthcare impacted our revenue growth in 2013, but we did see stable revenue from the commercial buildings sector due to our continued work for retail and commercial clients in Canada. By leveraging our existing relationships in our Oil & Gas practice, we were able to secure buildings-related master-service agreements with national clients during the year.

Opportunities for P3 projects in Canada continued in 2013, despite public funding constraints and increased international competition. For instance, we secured a project in Canada to provide the consulting, architectural, and engineering services for the Iqaluit International Airport Improvement project—the first P3 airport project to formally proceed in North America.

Environment. The Environment practice area unit had 13.5% organic gross revenue growth in 2013 compared to 2012. This increase resulted from robust growth in energy and resource-related work, driven mainly by the midstream industry in the oil and gas sector; work for other sectors experienced a more modest increase.

Strong activity in the Canadian oil and gas sector in 2013 supported increased and continual assessment, planning, and permitting work. One of our projects involved preparing an environmental and socioeconomic assessment associated with the construction and operation of the TransCanada Energy East pipeline project, including the Cromer Lateral portion of the project in Saskatchewan and Manitoba and an extension from Quebec City to New Brunswick. In downstream oil and gas, business remained stable, but because of significant activity associated with midstream oil and gas projects, it constituted a reduced percentage of our Environment portfolio.

We continued to develop aboriginal partnerships to position ourselves for resource development work in strategic locations in northern and western Canada. In the power sector, transmission and distribution work—such as routing, site selection, permitting, and assessment—was steady. Revenue growth from our geotechnical operations was strong in 2013 as we benefited from relationships with long-term clients such as the Tennessee Valley Authority.

Our Water practice experienced a modest increase in 2013 compared to 2012, despite new investments lacking approval while municipalities dealt with budget constraints. In the United States, companies continued to invest in existing facilities because of regulatory requirements and consent decrees that require water and sewage treatment plants to be upgraded and combined sewer overflow programs to continue.

During 2013, we saw increased opportunities using alternative project delivery models, such as design-build, and continued to benefit from relationships with long-term clients in Canada and the United States. To illustrate, we are building on our local presence, our strong reputation with the US federal government and design-build contractors, and our expertise in the water business; we are the lead engineer and architect for PCCP Constructors, a joint venture selected for a contract with the US Army Corps of Engineers, New Orleans District.

In 2013, we expanded our water service offerings into other industrial water activities, such as tailings-pond water treatment, flood control, water reuse, and water resource management, as well as into mining-related activities, which resulted in new project work. For example, we secured a project to evaluate three alternatives for the storage, treatment, and disposal of saline groundwater from the Joslyn North mine in Fort McMurray, Alberta.

Industrial. The Industrial practice area unit had 20.0% organic gross revenue growth in 2013 compared to 2012. This strong organic growth resulted from increased project activity relating to energy and resources, primarily in the oil and gas sector, and it accounts for approximately half of our Industrial revenue.

In our Oil & Gas practice, our long-term client relationships and diverse project expertise mean we are increasingly recognized as a top integrated provider of midstream services. This recognition, together with a continued global demand for energy and strong oil prices, drove the demand for our engineering services from large national clients that transport oil and gas to export locations and that require added capacity for transport, storage, and distribution. Our Environment and Industrial groups work together on major export pipelines in Canada to transport natural gas and crude oil to the east, south, and west.

In 2013, our Mining practice activity was steady, despite the global softening of the mining industry. As a consequence of completing a major project in the latter half of 2012, our Mining revenue decreased in the United States in 2013 compared to 2012. However, work in Canada remained steady; in particular, we continued work on the BHP Billiton Jansen potash mine in Saskatchewan. The decline in our US mining revenue was offset by

growth in our international mining business since we continue to secure projects in studies, design, and project management, because of our diversified commodities exposure and strong relationships with major global clients.

Our Power practice was soft in the United States in 2013, primarily because we still have an emerging presence in the United States and the US power market has not fully recovered. In Canada, certain major projects have come to completion. Still, throughout 2013, we continued to provide services in renewable energy, thermal power, and transmission and distribution. For instance, as part of the Maritime Link Project, we contributed to the detailed design of civil and geotechnical work for the transmission link between Newfoundland and Nova Scotia.

In our Industrial Buildings & Facilities practice, 2013 activity was steady in multiple areas, including in large industrial facilities, transportation and heavy equipment maintenance facilities, and servicing companies, where public and private sector clients are renewing or building new facilities.

Transportation. Despite a relatively stagnant market, our Transportation practice area unit had 8.6% organic gross revenue growth in 2013 compared to 2012. Organic growth reflected investments made in key hires and specific project pursuits in 2012 and 2013, as well as a continued commitment to build backlog by pursuing a mix of small, medium, and large projects. This balanced approach allowed us to match the needs of clients and adapt to changing conditions in various markets. Organic growth occurred principally in the US East, where we benefit from increased activity in design-build and from strong local relationships.

Transportation's overall growth benefited from the acquisitions made over the last three years, in particular in 2012, when we increased our presence in local US markets. During the year, we continued to pursue and secure a steady share of significant traditional as well as design-build and P3 projects. For example, as part of our traditional work, we were awarded the Construction Management Services Contract for the Westside Subway Transit Corridor project in Los Angeles, California—one of the most regionally significant infrastructure programs and one of the largest transportation programs in the United States. Related to this project, we also secured the renewal of the Construction Management Support Services Contract with the Los Angeles County Metropolitan Transportation Authority for its major capital projects.

We continued working on local and regional projects with repeat clients in Canada and the United States. Because of our expertise, rehabilitation and maintenance remained stable components of our portfolio. For example, bridge inspection wins increased in British Columbia and in other locations such as New Hampshire and Vermont. Our strong local relationships provided continued opportunities in our general roadway business. In the last quarter of 2013, for example, we were designated by Central Texas Regional Mobility Authority to provide the ongoing traffic and revenue feasibility services for their expanding system of toll roads in Austin, Texas. Positive revenue growth in 2013 was also the result of stable infrastructure funding and only minor changes in the competitive landscape.

Urban Land. The Urban Land practice area unit had 3.3% organic gross revenue growth in 2013 compared to 2012. This organic revenue growth is attributed to residential activity in strong geographies such as western Canada, improvements in the US East, and our efforts to diversify into nonresidential sectors. Growth in these areas was partly offset by a reduction in work performed internationally compared to 2012.

In 2013, Canada accounted for approximately 55% of our urban land business, with approximately 45% in the United States and some projects outside of North America. Housing activity was stable across Canada compared to 2012. Western Canada benefited from strong residential single-family and mixed-use markets as a result of the robust resource market; eastern Canada had more higher-density projects. For example we secured a project in

Guelph, Ontario, providing the planning, engineering, environmental impact, geomatic, archaeological, and traffic services for a mixed-use residential development on former industrial lands in the downtown core.

The US market showed signs of slow improvement during 2013 and continued to evolve to include a combination of greenfield, medium- to high-density development, and redevelopment projects in some of our regions. We are positioning our services to take advantage of this shift and an improving residential market.

Our 2013 nonresidential pursuits in Canada and the United States demonstrated our ability to provide a variety of services to various segments in the urban land development market, including commercial, municipal, parks, brownfield development, and sports and recreation sectors. For example, we secured a project for the campus master plan for the Delaware Valley College in Doylestown, Pennsylvania. The work includes facilities assessment, space utilization, and general campus planning to support the college's strategic plan for the next ten years. In the fourth quarter of 2013, we were retained to complete the preliminary engineering, stormwater management strategy, detailed engineering design, and contract administration for a 40-hectare (100-acre) industrial parcel (Shipp Lands) located within the Derry Green Business Secondary Plan Area in Milton, Ontario. This project involves import of fill, which will require an earthworks strategy and environmental compliance monitoring.

Gross Margin

For a definition of "gross margin," refer to Definition of Additional IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.

Gross margin as a percentage of net revenue decreased to 54.7% in 2013 from 55.0% in 2012, which is within our targeted range of 54.5% to 56.5% (set out in our 2012 Financial Review). Our consolidated gross margin for 2013 was impacted by growth in the revenue base of our lower margin practice area units (Industrial and Transportation in the United States). In our Industrial practice area unit, lower gross margins (compared to other practice areas) are typically offset by a lower administrative and marketing expense as a percentage of net revenue. In addition, the decrease in our 2013 consolidated gross margin was impacted by a slight decline in our Transportation and Buildings gross margins compared to 2012.

The following table summarizes our gross margin percentages by practice area unit:

Gross Margin by Practice Area Unit

	2013	2012
Buildings	54.2%	54.6%
Environment	59.0%	58.7%
Industrial	48.8%	48.3%
Transportation	52.6%	53.1%
Urban Land	59.7%	59.6%

Note: Comparative figures have been restated due to a realignment of several practice components between our Transportation and Urban Land practice area units and due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).

In general, gross margin fluctuations depend on the particular mix of projects in progress during any year and on our project execution. These fluctuations reflect the basis of our business model: diversifying our operations across geographic locations, practice area units, and all phases of the infrastructure and facilities project life cycle.

The following table summarizes our gross margin percentages by region:

Gross Margin by Region

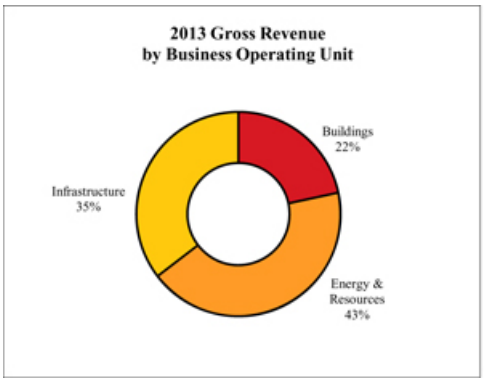
	2013	2012
Canada	55.1%	55.8%
United States	54.4%	54.0%
International	50.6%	51.6%

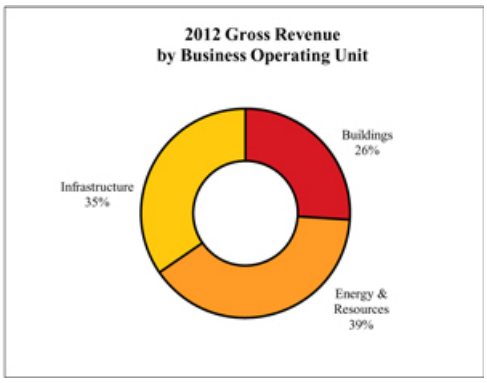
Note: Comparative figures have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).

The reduction in gross margin for Canada in 2013 compared to 2012 resulted mainly from the impact of our growing Industrial practice area unit at lower gross margins. The reduction in gross margin in our International operations was due to the mix of project activity.

Revenue and Gross Margin Realigned by Business Operating Unit

In 2014, we are realigning our organizational structure from five practice area units to three business operating units to better support our clients. (For further information regarding this realignment, see the Evolution to Business Operating Units Specialization section of this report.) The following table restates our gross revenue earned in 2012 and 2013 from practice area units to business operating units. As well, the table details our gross revenue growth analysis for acquisition and organic growth in 2013 by business operating unit.





Gross Revenue by Business Operating Unit

	Quarter Ended March 31, 2013 vs. 2012						
(In millions of Canadian dollars)	**2013**	**2012**	**Total Change**	**Change Due to Acquisitions**	**Change Due to Organic Growth**	**Change Due to Foreign Exchange**	**% of Organic Growth**
Buildings	125.8	127.1	(1.3)	2.0	(3.7)	0.4	(2.9%)
Energy & Resources	202.3	157.9	44.4	22.7	21.2	0.5	13.4%
Infrastructure	185.1	151.2	33.9	28.1	5.1	0.7	3.4%
Total	513.2	436.2	77.0	52.8	22.6	1.6	5.2%

	Quarter Ended June 30, 2013 vs. 2012						
(In millions of Canadian dollars)	**2013**	**2012**	**Total Change**	**Change Due to Acquisitions**	**Change Due to Organic Growth**	**Change Due to Foreign Exchange**	**% of Organic Growth**
Buildings	128.3	127.8	0.5	2.8	(2.9)	0.6	(2.3%)
Energy & Resources	242.3	177.7	64.6	28.8	35.2	0.6	19.8%
Infrastructure	196.1	167.9	28.2	24.9	2.3	1.0	1.4%
Total	566.7	473.4	93.3	56.5	34.6	2.2	7.3%

	Quarter Ended September 30, 2013 vs. 2012						
(In millions of Canadian dollars)	**2013**	**2012**	**Total Change**	**Change Due to Acquisitions**	**Change Due to Organic Growth**	**Change Due to Foreign Exchange**	**% of Organic Growth**
Buildings	115.8	117.7	(1.9)	3.1	(6.8)	1.8	(5.8%)
Energy & Resources	258.6	195.4	63.2	20.6	40.3	2.3	20.6%
Infrastructure	206.8	166.2	40.6	21.7	15.0	3.9	9.0%
Total	581.2	479.3	101.9	45.4	48.5	8.0	10.1%

	Quarter Ended December 31, 2013 vs. 2012						
(In millions of Canadian dollars)	**2013**	**2012**	**Total Change**	**Change Due to Acquisitions**	**Change Due to Organic Growth**	**Change Due to Foreign Exchange**	**% of Organic Growth**
Buildings	114.0	113.3	0.7	1.5	(3.0)	2.2	(2.6%)
Energy & Resources	257.3	206.5	50.8	4.9	43.0	2.9	20.8%
Infrastructure	204.0	161.6	42.4	19.5	18.0	4.9	11.1%
Total	575.3	481.4	93.9	25.9	58.0	10.0	12.0%

	2013 Compared to 2012						
(In millions of Canadian dollars)	**2013**	**2012**	**Total Change**	**Change Due to Acquisitions**	**Change Due to Organic Growth**	**Change Due to Foreign Exchange**	**% of Organic Growth**
Buildings	483.9	485.9	(2.0)	9.4	(16.4)	5.0	(3.4%)
Energy & Resources	960.5	737.5	223.0	77.0	139.7	6.3	18.9%
Infrastructure	792.0	646.9	145.1	94.2	40.4	10.5	6.2%
Total	2,236.4	1,870.3	366.1	180.6	163.7	21.8	8.8%

The following tables detail our gross margins as a percentage of net revenue by business operating unit for 2012 and 2013 and on a quarterly basis for 2012 and 2013:

Gross Margin by Business Operating Unit

	2013	2012
Buildings	54.8%	54.8%
Energy & Resources	53.2%	53.5%
Infrastructure	56.4%	56.7%

	2013				2012			
	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31
Buildings	55.9%	54.0%	54.0%	55.4%	56.2%	55.1%	54.1%	53.8%
Energy & Resources	54.7%	53.0%	53.0%	51.8%	54.4%	53.8%	52.9%	52.6%
Infrastructure	58.7%	55.8%	55.7%	55.2%	58.0%	56.3%	55.8%	56.7%

Administrative and Marketing Expenses

Our administrative and marketing expenses increased by $114.0 million from 2012 to 2013. As a percentage of net revenue, our administrative and marketing expenses remained the same as for 2012 at 40.7%, which is slightly lower than our expected range of 41% to 43%.

Administrative and marketing expenses fluctuate from year to year because of the amount of staff time charged to marketing and administrative labor, which is influenced by the mix of projects in progress and being pursued during the period, as well as by business development and acquisition integration activities.

Depreciation of Property and Equipment

Depreciation as a percentage of net income remained at 1.8% year over year. Depreciation increased by $4.6 million. Our additions to property and equipment of $53.5 million in 2013 were within the expected range of $50 to $60 million established at the beginning of 2013.

Intangible Assets

The timing of completed acquisitions, the size of acquisitions, and the type of intangible assets acquired impact the amount of amortization of intangible assets in a period. Client relationships are amortized over estimated useful lives ranging from 10 to 15 years. Contract backlog is generally amortized over an estimated useful life of 1 to 2 years. Consequently, the impact of the amortization of contract backlog can be significant in the four to eight quarters following an acquisition. As at December 31, 2013, $1.5 million of the $78.9 million in intangible assets related to backlog. (Backlog, a non-IFRS measure, is further discussed in Definition of Non-IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.)

Also included in intangible assets is purchased and internally generated computer software that is replaceable and not an integral part of related hardware. This computer software is amortized over an estimated useful life ranging from 3 to 7 years.

The following table summarizes the amortization of identifiable intangible assets:

Amortization of Intangibles

(In thousands of Canadian dollars)	**2013**	**2012**
Client relationships	7,294	6,431
Backlog *(Note)*	5,342	6,296
Software	9,675	6,986
Other	982	1,346
Lease disadvantage	(2,058)	(1,051)
Total amortization of intangible assets	21,235	20,008

Note: Backlog is further discussed in the Definitions section of this report.

The $1.2 million increase in intangible asset amortization from 2012 to 2013 was mainly due to an increase in the amortization of software from the renewal of our Microsoft agreement. During 2013, we added $14.3 million to intangible assets: $9.9 million was mainly the result of incremental software licenses on our enterprise management system and the renewal of our AutoCAD and Microsoft agreements; $4.4 million was the result of acquisitions, primarily from the IBE acquisition.

In accordance with our accounting policies, we review intangible assets at each reporting period to determine whether there is an indication of impairment. An asset may be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, and that event has an impact on the estimated future cash flows of the asset.

To determine indicators of impairment of intangible assets, we consider external sources of information such as prevailing economic and market conditions. We also consider internal sources of information such as the historical and expected financial performance of the intangible assets. If an indication of impairment exists, the asset's recoverable amount is estimated. If the carrying amount exceeds the recoverable amount (on a discounted basis), the asset value is written down to the recoverable amount. (For further discussion on the methodology used in testing long-lived assets and intangibles for impairment, refer to Critical Accounting Estimates in the Critical Accounting Estimates, Developments, and Measures section of this report.)

Based on our review of intangible assets at each reporting period in 2012 and 2013, there have been no indications of impairment.

Net Interest Expense

Our net interest expense decreased by $0.1 million in 2013 compared to 2012, mainly due to a lower long-term debt balance. In particular, our revolving credit facility was $51.1 million at December 31, 2013, compared to $80.7 million at December 31, 2012. As well, the balance of notes payable for acquisitions was lower at $53.0 million at December 31, 2013, compared to $81.4 million at December 31, 2012. The average interest rate of our revolving credit facility was 1.37% at December 31, 2013, compared to 1.60% at December 31, 2012. At December 31, 2013 and 2012 we had $125 million in senior secured notes at a rate of 4.52%. (The revolving credit facility and senior secured notes are further described in the Liquidity and Capital Resources section of this report.)

Based on our credit balance at December 31, 2013, we estimate that a 0.5% increase or decrease in interest rates, with all other variables held constant, would have had an immaterial impact on our net income and basic earnings per share for the year. We have the flexibility to partly mitigate our exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt. Our senior secured notes have fixed interest rates; therefore, interest rate fluctuations would have no impact on the senior secured notes interest payments.

Foreign Exchange Gains and Losses

We reported a foreign exchange gain of $0.2 million in 2013 compared to a loss of $0.2 million in 2012. The foreign exchange gain and loss arose from 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 foreign currency assets with foreign currency liabilities and, when appropriate, by entering into forward contracts to buy or sell US dollars or British pounds in exchange for Canadian dollars. The foreign exchange gains and losses in 2013 and 2012 were caused by the volatility of daily foreign exchange rates and the timing of the recognition and relief of foreign-denominated assets and liabilities. As at December 31, 2013, we had no material foreign-currency forward-contract agreements.

We estimate that because of a slight net exposure at December 31, 2013, a $0.01 increase or decrease in the US-dollar to Canadian-dollar exchange rate, with all other variables held constant, would have had an immaterial impact on our net income for the year.

Income Taxes

Our 2013 effective income tax rate remained consistent year over year at 26.5% in 2013 compared to 26.4% in 2012. Our 2013 effective income tax rate was impacted by additional income earned in higher tax jurisdictions in 2013 compared to 2012 and offset by the utilization of additional tax credits in 2013. The effective tax rate of 26.5% meets the target of at or below 28.5% set out in our 2012 Financial Review.

Fourth Quarter Results

Our revenue growth in Q4 13 was strong compared to Q4 12. Gross revenue increased 19.5% to $575.3 million from $481.4 million; 12.0% of this increase is due to continued organic growth. EBITDA increased 10.9% to $62.3 million from $56.2 million, net income increased 14.8% to $35.7 million from $31.1 million, and our diluted earnings per share increased 13.4% to $0.76 from $0.67 when comparing Q4 13 to Q4 12.

The following table summarizes our key operating results for Q4 13 on a percentage of net revenue basis and the percentage increase in the dollar amount of these results compared to the same period last year:

(In millions of Canadian dollars, except %)	Quarter Ended December 31 2013	2012	% of Net Revenue 2013	2012	% Increase (Decrease)* 2013 vs. 2012
Gross revenue **	**575.3**	481.4	**127.5%**	123.4%	19.5%
Net revenue **	**451.3**	390.1	**100.0%**	100.0%	15.7%
Direct payroll costs	**196.6**	171.1	**43.6%**	43.9%	14.9%
Gross margin **	**254.7**	219.0	**56.4%**	56.1%	16.3%
Administrative and marketing expenses	**197.3**	162.4	**43.7%**	41.6%	21.5%
Depreciation of property and equipment	**8.7**	7.6	**1.9%**	2.0%	14.5%
Amortization of intangible assets	**4.6**	5.3	**1.0%**	1.4%	(13.2%)
Net interest expense	**1.9**	1.8	**0.4%**	0.5%	5.6%
Other net finance expense	**(3.3)**	0.6	**(0.7%)**	0.1%	n/m
Share of income from joint ventures and associates	**(0.9)**	(0.3)	**(0.1%)**	(0.1%)	n/m
Foreign exchange loss	**-**	0.1	**0.0%**	0.0%	n/m
Other income	**(0.7)**	-	**(0.2%)**	0.0%	n/m
Income before income taxes	**47.1**	41.5	**10.4%**	10.6%	13.5%
Income taxes	**11.4**	10.4	**2.5%**	2.6%	9.6%
Net income	**35.7**	31.1	**7.9%**	8.0%	14.8%

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

*** The terms gross and net revenue and gross margin are discussed in the Definitions section of this report.*

Note: Comparative figures have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).

n/m = not meaningful

Gross Revenue

(In millions of Canadian dollars)	Q4 13 vs. Q4 12
Increase in gross revenue due to	
Acquisition growth	25.9
Organic growth	58.0
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	10.0
Total net increase in gross revenue	93.9

Note: Comparative figures have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).

During Q4 13, our gross revenue increased by $93.9 million, or 19.5%, compared to the same period in 2012 as a result of the impact of acquisitions completed in 2012 and 2013 and organic revenue growth. The weakening of the Canadian dollar had a positive impact on reported revenue in Q4 13 compared to Q4 12. During Q4 13, the average exchange rate for the Canadian dollar was US$0.95 compared to the Canadian dollar being at par with the US dollar during Q4 12.

The following tables summarize the change in gross revenue by region and by practice area unit in the fourth quarter of 2013 compared to the same period in 2012:

Gross Revenue by Region

(In millions of Canadian dollars)	Quarter Ended Dec 31, 2013	Quarter Ended Dec 31, 2012	Total Change	Change Due to Acquisitions	Change Due to Organic Growth	Change Due to Foreign Exchange
Canada	338.4	290.6	47.8	1.6	46.2	n/a
United States	217.2	171.5	45.7	24.3	11.4	10.0
International	19.7	19.3	0.4	-	0.4	-
Total	575.3	481.4	93.9	25.9	58.0	10.0

Note: Comparative figures have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).
n/a = not applicable

Gross Revenue by Practice Area Unit

(In millions of Canadian dollars)	Quarter Ended Dec 31, 2013	Quarter Ended Dec 31, 2012	Total Change	Change Due to Acquisitions	Change Due to Organic Growth	Change Due to Foreign Exchange
Buildings	93.6	95.4	(1.8)	1.5	(5.2)	1.9
Environment	197.8	162.9	34.9	4.1	27.1	3.7
Industrial	141.4	109.2	32.2	2.0	29.3	0.9
Transportation	82.7	63.1	19.6	14.4	2.6	2.6
Urban Land	59.8	50.8	9.0	3.9	4.2	0.9
Total	575.3	481.4	93.9	25.9	58.0	10.0

Note: Comparative figures have been restated due to a realignment of several practice components between our Transportation and Urban Land practice area units and due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).

Organic revenue growth in Q4 13 was positive in all practice area units except Buildings. The Buildings practice area unit decline occurred because of the softening in the buildings market compared to Q4 12. The buildings industry has experienced continued competition and pressure in funding of private and public sector clients. Our organic growth in Q4 13 occurred mainly in our Environment and Industrial practice area units. In both of these practice area units, we are experiencing increased project activity from the oil and gas sector, mainly driven by the midstream industry in western Canada.

During Q4 13, net income was positively impacted by increases in gross revenue and gross margin as a percentage of net revenue—from 56.1% in Q4 12 to 56.4% in Q4 13. Our gross margin increased quarter over quarter in our US and International regions and increased in our Industrial and Urban Land practice area units as summarized in the tables below:

Gross Margin by Region	Quarter Ended Dec 31	
	2013	2012
Canada	56.9%	57.2%
United States	56.2%	55.1%
International	50.5%	47.5%

Note: Comparative figures have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).

Gross Margin by Practice Area Unit	Quarter Ended Dec 31	
	2013	2012
Buildings	54.9%	56.2%
Environment	60.4%	60.5%
Industrial	51.1%	48.8%
Transportation	54.7%	55.4%
Urban Land	62.3%	60.2%

Note: Comparative figures have been restated due to a realignment of several practice components between our Transportation and Urban Land practice area units and due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).

The nature of our business model—based on diversifying operations across geographic regions, practice area units, and all phases of the infrastructure and facilities project life cycle—will continue to cause fluctuations in our gross margin percentage from period to period, depending on the mix of projects during any given quarter.

Administrative and marketing expense increased from 41.6% in Q4 12 to 43.7% in Q4 13. This increase was primarily due to an increase in administrative labor because of additional charges for seasonal holidays in Q4 13 compared to Q4 12. As well, there was an increase in the fair value of restricted share units and deferred share units in Q4 13 compared to Q4 12.

Our effective income tax rate decreased from 27.2% in Q3 13 to 24.2% in Q4 13 due to the an increase in deductions for US share options exercised and an increase in US Research and Development tax credits.

Quarterly Trends

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

Quarterly Unaudited Financial Information

(In millions of Canadian dollars, except per share amounts)	Dec 31, 2013	Sept 30, 2013	Jun 30, 2013	Mar 31, 2013
Gross revenue	575.3	581.2	566.7	513.2
Net revenue	451.3	484.8	469.4	426.9
Net income	35.7	45.9	36.2	28.4
EPS – basic	0.77	0.99	0.78	0.62
EPS – diluted	0.76	0.98	0.78	0.61

	Dec 31, 2012*	Sept 30, 2012*	Jun 30, 2012*	Mar 31, 2012*
Gross revenue	481.4	479.3	473.4	436.2
Net revenue	390.1	397.4	395.8	370.5
Net income	31.1	34.1	30.8	25.0
EPS – basic	0.68	0.74	0.67	0.55
EPS – diluted	0.67	0.74	0.67	0.55

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 a result of the effect of shares issued or repurchased during the year on the weighted average number of shares. Diluted earnings per share on a quarterly basis and an annual basis are also affected by the change in the market price of our shares, since we do not include in dilution options when the exercise price of the option is not in the money.
** Certain figures for 2012 have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).*

The following items impact the comparability of our quarterly results:

Gross Revenue *(In millions of Canadian dollars)*	Q4 13 vs. Q4 12	Q3 13 vs. Q3 12	Q2 13 vs. Q2 12	Q1 13 vs. Q1 12
Increase in gross revenue due to				
Acquisition growth	25.9	45.4	56.5	52.8
Organic growth	58.0	48.5	34.6	22.6
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	10.0	8.0	2.2	1.6
Total net increase in gross revenue	93.9	101.9	93.3	77.0

Note: Comparative figures have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).

Q1 13 vs. Q1 12. During Q1 13, net income increased by $3.4 million, or 13.6%, from the same period in 2012, and diluted earnings per share for Q1 13 increased by $0.06, or 10.9%, compared to Q1 12. Net income for Q1 13 was positively impacted by an increase in revenue resulting from acquisitions completed in 2012, and organic revenue grew because of activity in the oil and gas and transportation sectors. Compared to Q1 12, we reported organic growth in all regions and in all practice area units except Buildings.

Net income was negatively impacted by a reduction in gross margin as a percentage of net revenue—from 54.4% in Q1 12 to 54.0% in Q1 13. The decrease occurred in our Industrial, Transportation, and Urban Land practice area units, while Environment and Buildings increased. The decreases in gross margins occurred because of the mix of projects in progress during the quarter, and as our Oil & Gas practice grew, our Industrial practice area unit margins became lower because of the nature of projects in the oil and gas sector. In addition, as we increased our US revenue base in the Urban Land practice area unit, our overall margin was negatively impacted because the margins secured in the United States tend to be lower than those secured in Canada. Also, high-density projects typically have lower margins; therefore, securing more work in this area has impacted Urban Land's overall margin. Results were positively impacted by an improvement in administrative and marketing expenses as a percentage of net revenue—from 41.5% in Q1 12 to 41.1% in Q1 13—due to a continued focus on managing our costs effectively.

Q2 13 vs. Q2 12. During Q2 13, net income increased by $5.4 million, or 17.5%, from the same period in 2012, and diluted earnings per share for Q2 13 increased by $0.11, or 16.4%, compared to Q2 12. Net income for Q2 13 was positively impacted by an increase in revenue resulting from acquisitions completed in 2012 and 2013, and organic revenue grew because of activity in the oil and gas, environmental services, and transportation sectors. Compared to Q2 12, we reported organic growth in all regions and in all practice area units except Buildings and Urban Land. Our gross margin decreased slightly—from 54.3% in Q2 12 to 54.2% in Q2 13—for the most part due to a reduction in our Buildings practice area unit margin, which was impacted by lower margins recognized on a number of major projects. Administrative and marketing expenses as a percentage of net revenue was 40.0% in both Q2 13 and Q2 12.

Q3 13 vs. Q3 12. During Q3 13, net income increased by $11.8 million, or 34.6%, from the same period in 2012, and diluted earnings per share for Q3 13 increased by $0.24, or 32.4%, compared to Q3 12. Net income for Q3 13 was positively impacted by an increase in revenue because of acquisitions completed in 2012 and 2013, and organic revenue grew because of a robust oil and gas sector, particularly in the midstream industry. Compared to Q3 12, we reported organic growth in all regions and in all practice area units except Buildings. The decrease in gross margin—from 55.0% in Q3 12 to 54.3% in Q3 13—was offset by a decrease in our administrative and marketing expenses as a percentage of net revenue—from 39.7% in Q3 12 to 38.3% in Q3 13. The decrease in gross margin was the result of increased activity related to the pursuit of P3 opportunities in our Buildings practice area unit, in particular in Ontario and British Columbia, as well as a more generally competitive buildings market. During the pursuit phase of P3 opportunities, we perform work for a reduced fee, which we make up if we are successful in securing the project. The decrease in our administrative and marketing expenses as a percentage of net revenue was due to our increased labor utilization, continued focus on managing costs effectively, and improved collection experience.

Balance Sheet

The following highlights the major changes to our assets, liabilities, and equity from December 31, 2012, to December 31, 2013:

(In millions of Canadian dollars)	**Dec 31, 2013**	**Dec 31, 2012***	**$ Change**	**% Change**
Total current assets	726.2	583.0	143.2	24.6%
Property and equipment	133.5	115.0	18.5	16.1%
Goodwill	594.8	566.8	28.0	4.9%
Intangible assets	78.9	85.7	(6.8)	(7.9%)
Investments in joint ventures and associates	5.0	5.3	(0.3)	(5.7%)
Other financial assets	83.2	63.7	19.5	30.6%
All other assets	46.6	44.7	1.9	4.3%
Total assets	**1,668.2**	**1,464.2**	**204.0**	**13.9%**
Current portion of long-term debt	37.1	42.9	(5.8)	(13.5%)
Provisions	12.0	14.9	(2.9)	(19.5%)
Other liabilities	9.8	8.7	1.1	12.6%
All other current liabilities	348.1	274.3	73.8	26.9%
Total current liabilities	407.0	340.8	66.2	19.4%
Long-term debt	200.9	256.4	(55.5)	(21.6%)
Provisions	49.5	37.0	12.5	33.8%
Other liabilities	58.0	42.8	15.2	35.5%
All other liabilities	60.2	60.1	0.1	0.2%
Equity	892.6	727.1	165.5	22.8%
Total liabilities and equity	**1,668.2**	**1,464.2**	**204.0**	**13.9%**

** Certain figures for 2012 have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).*

Refer to the Liquidity and Capital Resources section of this report for an explanation of the change in current assets and current liabilities.

Property and equipment increased because of the number of leasehold and furniture improvements made to various offices. Goodwill increased as a result of additions from acquisitions as well as changes in foreign exchange, as explained below. Intangible assets decreased due to depreciation and was partly offset by the renewal of agreements for AutoCAD, Microsoft, and our enterprise management system software in the year. Investments in joint ventures and associates decreased due to dividends received in the year. Other financial assets increased mainly due to a $24.9 million increase in investments held for self-insured liabilities.

Total current and long-term debt decreased because of payments made on our notes payable from acquisitions, lease financing obligations, and revolving credit facility. In total, current and long-term provisions increased mainly because of an $11.2 million increase in provisions for self-insured liabilities due to the timing of the recognition of the liabilities and their ultimate settlement. Other liabilities increased as a result of an $8.0 million increase in lease inducement benefits for leasehold improvements at various offices.

Overall, the carrying amount of the assets and liabilities of our US subsidiaries on our consolidated balance sheets increased because of the weakening of the Canadian dollar from US$1.01 at December 31, 2012, to US$0.94 at December 31, 2013.

Goodwill

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

We allocate goodwill to our cash generating units (CGUs), which are also our operating segments. CGUs are defined based on the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. Other factors are considered, including how management monitors the entity's operations. We defined our CGUs as Canada, the United States, and International. As a Company, we are constantly evolving and continuing to expand into different geographic locations. As we evolve, we regularly review our corporate and management structure to ensure our operations are organized into logical units, particularly for making operating decisions and assessing performance. If we determine that our corporate and management structure should change, we review our definitions of CGUs and reportable segments. We do not allocate or monitor goodwill to our practice area units.

On October 1, 2013, and October 1, 2012, we performed our annual goodwill impairment test. Based on the results of this test, we concluded that the recoverable amount of our CGUs exceeded their carrying amount and, therefore, goodwill was not impaired.

Valuation techniques

When performing our goodwill impairment test, we compare the recoverable amount of our CGUs to their respective carrying amounts. If the carrying amount of a CGU is higher than its recoverable amount, an impairment charge is recorded as a reduction in the carrying amount of the goodwill on the consolidated statement of financial position and recognized as a non-cash impairment charge in income. We estimate the recoverable amount by using the fair value less costs to sell approach. It estimates fair value using market information and discounted after-tax cash flow projections, which is known as the income approach. The income approach uses a CGU's projection of estimated operating results and discounted cash flows based on a discounted rate that reflects current market conditions. We use cash flow projections from financial forecasts approved by senior management covering a five-year period. For our October 1, 2013, and October 1, 2012, impairment test, we discounted our CGU cash flows using after-tax discount rates ranging from 10.0% to 12.0%. To arrive at cash flow projections, we use estimates of economic and market information as described in Critical Accounting Estimates in the Critical Accounting Estimates, Developments, and Measures section of this report.

Sensitivity

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

- Operating margins based on actual experience and management's long-term projections.
- Discount rates—reflecting investors' expectations when discounting future cash flows to a present value—that take into consideration market rates of return, capital structure, company size, and industry risk. This rate is further adjusted to reflect risks specific to the CGU for which future estimates of cash flows have not been adjusted.
- Growth rate estimates based on actual experience and market analysis. Projections are extrapolated beyond five years using a growth rate that typically does not exceed 3.0%.

At October 1, 2013, the recoverable amount of our Canadian and US CGUs exceeded the carrying amount. For the assessment of fair value less costs to sell, we believe that no reasonably possible change in any of the above key assumptions would have caused the carrying amount of the Canadian or US CGU to materially exceed its recoverable amount.

Liquidity and Capital Resources

The following discussion includes forward-looking statements. For an outline of the material risks and assumptions associated with these statements, refer to Cautionary Note Regarding Forward-Looking Statements at the end of this report. We are able to meet our liquidity needs through a variety of sources, including cash generated from operations, long- and short-term borrowings from our $350-million credit facility, senior secured notes, and the issuance of common shares. Our primary use of funds is for paying operational expenses, completing acquisitions, sustaining capital spending on property and equipment and software, repaying long-term debt, and paying dividend distributions to shareholders.

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

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

Working Capital

The following table shows summarized working capital information as at December 31, 2013, compared to December 31, 2012:

(In millions of Canadian dollars, except ratio)	**2013**	**2012***	**$ Change**
Current assets	726.2	583.0	143.2
Current liabilities	(407.0)	(340.8)	(66.2)
Working capital *(Note)*	319.2	242.2	77.0
Current ratio *(Note)*	1.78	1.71	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. Both non-IFRS measures are further described in the Definitions section of this report.

** Certain figures for 2012 have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).*

Current assets increased mainly due to a $102.3 million increase in cash and cash equivalents. Trade and other receivables and unbilled revenue increased by $26.4 million as a result of our acquisition and organic growth in the year. Despite our growth in the year, investment in trade and other receivables and unbilled revenue decreased from 91 days at December 31, 2012, to 86 days at December 31, 2013. Current assets also increased because of a $5.0 million increase in income taxes recoverable, a $4.6 million increase in prepaid expenses, and a $3.7 million increase in other financial assets that resulted mainly from an increase in the current portion of investments held for self-insured liabilities.

Current liabilities increased primarily because of a $47.4 million increase in trade and other payables. The increase in trade and other payables resulted from increased activity, higher payroll accruals due to an increase in employee numbers, and an increase in bonuses payable. As well, billings in excess of costs increased $17.0 million, and income tax payable increased $9.0 million. These were partly offset by a $2.9 million decrease in current provisions and a $5.8 million decrease in the current portion of long-term debt due to a reduction in notes payable from acquisitions.

Cash Flows

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

(In millions of Canadian dollars)	**2013**	**2012**	**$ Change**
Cash flows from operating activities	272.1	180.6	91.5
Cash flows used in investing activities	(117.4)	(143.2)	25.8
Cash flows used in financing activities	(54.2)	(31.3)	(22.9)

Note: Comparative figures have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).

Cash Flows from Operating Activities

Cash flows from operating activities are impacted by the timing of payroll and acquisitions—in particular, the timing of payments of acquired trade and other payables, including employee annual bonuses. The $91.5 million increase in cash flows from operating activities was the result of increased cash receipts from clients due to our acquisitions and organic growth and a decrease in interest paid on notes payable for prior acquisitions.

These increases in cash flows were partly offset by more cash paid to employees because of an increase in the number of employees in 2013 compared to 2012 and an increase in bonuses and restricted share units paid. In addition, cash paid to suppliers increased due to acquisitions and organic growth. Income tax paid was higher since our final tax payment relating to 2012 was higher than the prior year and our installment base for 2013 was higher than for 2012; this was partially offset by a higher Canadian income tax refund received in 2013 compared to 2012.

Cash Flows Used in Investing Activities

Cash flows used in investing activities decreased in 2013 compared to 2012 due to a reduction in cash used for business acquisitions and a reduction in the payment of notes payable for prior acquisitions. In 2013, we used $43.5 million in cash for business acquisitions and the payment of notes payable, compared to $102.0 million used in the same period in 2012. Also contributing to the decrease in cash flows used in investing activities was a $2.0 million increase in dividends from investments in joint ventures and associates and a $4.6 million decrease in the purchase of intangible assets because we purchased AutoCAD software in the first quarter of 2012. These decreases in cash flows used in investing activities were partly offset by a $30.0 million increase in the purchase of property and equipment in 2013 compared to 2012 (further described below).

As a professional services organization, we are not capital intensive. In the past, we have made capital expenditures primarily for items such as leasehold improvements, computer equipment and software, furniture, and other office and field equipment. Property and equipment and software purchases totaled $57.1 million in 2013 compared to $31.7 million in 2012. Contributing to the higher spending in 2013 was an increase in spending for leasehold and furniture improvements made to various office locations. Our capital expenditures

during 2013 were financed by cash flows from operations. We expect our total capital and software expenditures in 2014 to be approximately $60.0 million, excluding capital assets acquired from acquisitions. In 2014, we plan to continue to invest in enhancements to our business information systems to optimize and streamline our business processes and prepare for continued growth.

Cash Flows Used in Financing Activities

Cash flows used in financing activities increased mainly due to the net outflow in 2013 of $34.6 million to repay our revolving credit facility—compared to a net outflow of $11.7 million to repay our revolving credit facility in 2012. As well, there was a $9.2 million increase in cash outflows for the payment of dividends in 2013 compared to 2012. In 2013, dividends were paid on January 17, April 18, July 18, and October 17. These increases in outflows were partly offset by a $6.3 million increase in cash inflows from the issuance of shares from employees exercising their share options.

Capital Structure

We manage our capital structure according to our internal guideline of maintaining a net debt to EBITDA ratio of less than 2.5. Our net debt to EBITDA ratio, a non-IFRS measure, is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash and cash equivalents, divided by (2) EBITDA, calculated as income before income taxes plus net interest expense, amortization of intangible assets, depreciation of property and equipment, and goodwill and intangible impairment. At December 31, 2013, our net debt to EBITDA ratio was 0.36. Going forward, there may be occasions when we exceed our target by completing opportune acquisitions that increase our debt level above the target for a period of time.

During 2013, we extended the maturity of our existing $350-million revolving credit facility to August 31, 2017. This credit facility allows us access to an additional $150 million under the same terms and conditions on approval from our lenders. Our credit facility is available for acquisitions, working capital needs, and general corporate purposes. Depending on the form under which the credit facility is accessed and on certain financial covenant calculations, rates of interest may vary between Canadian prime, US base rate, LIBOR, or bankers' acceptance rates, plus specified basis points. The specified basis points may vary, depending on our level of consolidated debt to EBITDA—from 20 to 145 for Canadian prime and US base rate loans and from 120 to 245 for bankers' acceptances, LIBOR loans, and letters of credit. At December 31, 2013, $297.8 million was available in the revolving credit facility for future activities.

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

We are subject to financial and operating covenants related to our credit facility and senior secured notes. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerated repayment of our debt obligation. Specifically, at each quarter-end, we must satisfy the following at any time: (1) our consolidated EBITDAR (earnings before interest, taxes, depreciation, amortization, and restructuring or rent costs) to debt service ratio must not be less than 1.25 to 1.0 for the revolving credit facility and senior secured notes and (2) our consolidated debt to EBITDA ratio must not exceed 2.5 to 1.0 for the revolving credit

facility and 2.75 to 1.0 for the senior secured notes, except in the case of a material acquisition, when our consolidated debt to EBITDA ratio must not exceed 3.0 to 1.0 for the revolving credit facility and 3.25 to 1.0 for the senior secured notes for a period of two complete quarters following the acquisition. EBITDA and EBITDAR to debt service ratios are defined in Definition of Non-IFRS Measures in the Critical Accounting Estimates, Developments, and Measures section of this report. We were in compliance with all these covenants as at and throughout the period ended December 31, 2013.

We have a bid bond facility, expiring on August 31, 2017, in the amount of $10 million that allows us to access an additional $5 million under the same terms and conditions upon approval from our lenders. This facility may be used for the issuance of bid bonds, performance guarantees, letters of credit, and documentary credits in international currencies. At December 31, 2013, $7.0 million had been issued under this bid bond facility, expiring at various dates before November 2014.

Shareholders' Equity

Our shareholders' equity increased by $165.6 million in 2013 and by $100.1 million in 2012. The following table summarizes the reasons for these increases:

(In millions of Canadian dollars)	**2013**	**2012**
Beginning shareholders' equity	727.0	626.9
Net income for the year	146.2	121.0
Currency translation adjustments	26.1	(8.2)
Net unrealized gain on financial assets	5.0	1.8
Net realized gain on financial assets transferred to income	(0.6)	-
Recognition of fair value of share-based compensation	3.8	2.8
Share options exercised for cash	16.5	10.2
Dividends declared	(30.6)	(27.5)
Purchase of non-controlling interests	(0.8)	-
Total change	165.6	100.1
Ending shareholders' equity	892.6	727.0

Note: Comparative figures have been restated due to the adoption of IFRS 10 and 11 (further discussed in the Accounting Developments section of this report).

During 2013, we recorded a $26.1 million foreign exchange gain in our currency translation adjustments in other comprehensive income compared to an $8.2 million loss in 2012. These unrealized gains and losses arose when translating our foreign operations into Canadian dollars. We do not hedge for this foreign exchange translation risk. The gain recorded during 2013 was caused by the weakening of the Canadian dollar—from US$1.01 at December 31, 2012, to US$0.94 at December 31, 2013. The loss recorded during 2012 was a result of the strengthening of the Canadian dollar—from US$0.98 at December 31, 2011, to US$1.01 at December 31, 2012.

We hold investments for self-insured liabilities consisting of government and corporate bonds, equity securities, and term deposits. These investments are classified as available for sale and are stated at fair value with the unrecognized gain or loss recorded in other comprehensive income. The change in the fair value of these investments was a $5.0 million gain in 2013 and a $1.8 million gain in 2012.

Our board of directors grant share options as part of our incentive programs. In 2013, our board granted 455,000 (in 2012, 375,500) share options to various officers and employees of the Company. These options vest equally over a three-year period and have a contractual life of seven years from the grant date. Share options exercised in 2013 generated $16.5 million in cash compared to $10.2 million in 2012.

Our board of directors declare dividends to common shareholders. Our board declared dividends of $30.6 million in 2013 compared to $27.5 million in 2012.

Other

Outstanding Share Data

At December 31, 2013, there were 46,576,132 common shares and 1,305,415 share options outstanding. From December 31, 2013, to February 26, 2014, no share options were granted, 48,250 share options were exercised, and 3,667 share options were forfeited. At February 26, 2014, there were 46,624,382 common shares and 1,253,498 share options outstanding.

Contractual Obligations

As part of our continuing operations, we enter into long-term contractual arrangements from time to time. The following table summarizes the contractual obligations due on our long-term debt, operating and finance lease commitments, purchase and service obligations, and other liabilities as at December 31, 2013:

		Payment Due by Period			
(In millions of Canadian dollars)	**Total**	**Less than 1 Year**	**1–3 Years**	**4–5 Years**	**After 5 Years**
Debt	229.3	32.3	90.7	106.1	0.2
Interest on debt	22.9	7.7	11.2	4.0	-
Operating leases	548.8	100.3	178.5	129.0	141.0
Finance lease obligation	9.4	5.1	4.3	-	-
Purchase and service obligations	19.7	7.5	10.9	1.3	-
Other obligations	20.3	3.3	2.8	0.2	14.0
Total contractual obligations	850.4	156.2	298.4	240.6	155.2

For further information regarding the nature and repayment terms of our long-term debt and finance lease obligations, refer to the Cash Flows Used in Financing Activities section of this report and notes 16 and 19 in our audited consolidated financial statements for the year ended December 31, 2013, incorporated by reference herein.

Our operating lease commitments include obligations under office space rental agreements, and our purchase and service obligations include agreements to purchase future goods and services that are enforceable and legally binding. Our other obligations include amounts payable under our deferred share unit plan and restricted share unit plans. Failure to meet the terms of our operating lease commitments may constitute a default, potentially resulting in a lease termination payment, accelerated payments, or a penalty as detailed in each lease agreement.

Off-Balance Sheet Arrangements

As of December 31, 2013, we had off-balance sheet financial arrangements relating to letters of credit in the amount of $1.2 million that expire at various dates before January 2015. These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations. We also have a surety facility to enable, as part of the normal course of operations, the issuance of bonds for certain types of project work. As at December 31, 2013, $4.7 million in bonds were issued under this agreement and expire at various dates before April 2020. In addition, we have a bid bond facility that allows us to issue bid bonds, performance guarantees, letters of credit, and documentary credits in international currencies. At December 31, 2013, $7.0 million was issued under this bid bond facility, expiring at various dates before November 2014.

During 2009, we issued a guarantee up to a maximum of US$60.0 million for project work with the US federal government. If the guarantee is exercised, we have recourse to our insurers, subject to certain deductibles, policy terms, and limits, to recover claims costs and damages arising from errors or omissions in professional services. At December 31, 2013, $155,000 of this guarantee had been exercised, but we have not made any payments under this guarantee and no amounts have been accrued in our audited consolidated financial statements with respect to the guarantee. This guarantee expires on July 15, 2014.

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

Financial Instruments and Market Risk

Fair value. As at December 31, 2013, we value and record our financial instruments as follows:

- Cash and cash equivalents are classified as financial assets at fair value through profit and loss (FVPL) and are recorded at fair value, with realized and unrealized gains and losses reported in income.

- Trade and other receivables are classified as receivables and are initially accounted for at fair value and subsequently adjusted for any allowance for doubtful accounts, with allowances reported in administrative and marketing expenses.

- Investments held for self-insured liabilities, consisting of bonds, equity securities, and term deposits, are classified as financial assets available for sale and are recorded at fair value, with accumulated unrealized gains and losses reported in other comprehensive income until disposed of, at which time the realized gains and losses are recognized in other income for equity securities and in net finance income for bonds and term deposits. Interest income is recorded in finance income, and dividends are recorded in other income.

- Trade and other payables are classified as other financial liabilities and are recorded at fair value and subsequently recorded at amortized cost using the effective interest rate method (EIR), with realized gains and losses reported in income. The EIR method discounts estimated future cash payments or receipts through the expected life of a financial instrument, thereby calculating the amortized cost and subsequently allocating the interest income or expense over the life of the instrument.

- Long-term debts, including non-interest-bearing debts, are classified as loans and borrowings and are initially recorded at fair value and subsequently recorded at amortized cost using the EIR method, with the EIR amortization and realized gains and losses reported in finance costs.

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

Subsequent to initial recognition, the fair values of financial instruments are based on the bid prices in quoted active markets for financial assets and on the ask prices for financial liabilities. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and other valuation models. The fair values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying amounts because of the short-term maturity of these instruments. The carrying amount of bank loans approximates their fair value because the applicable interest rate is based on variable reference rates. The carrying amounts of other financial assets and financial liabilities approximate their fair values.

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

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

1. A significant portion of our revenue and expenses is generated or incurred in US dollars; therefore, we are exposed to fluctuations in exchange rates. To the extent that
    - US-dollar revenues are greater than US-dollar expenses in a strengthening US-dollar environment, we expect to see a positive impact on our income from operations
    - US-dollar revenues are greater than US-dollar expenses in a weakening US-dollar environment, we expect to see a negative impact on our income from operations

    This exchange rate risk primarily reflects, on an annual basis, the impact of fluctuating exchange rates on the net difference between total US-dollar professional revenue and US-dollar expenses. Other exchange rate risk arises from the revenue and expenses generated or incurred by subsidiaries located outside Canada and the United States. Our income from operations will be impacted by exchange rate fluctuations used in translating these revenues and expenses. We do not hedge for this foreign exchange translation risk.

2. Foreign exchange fluctuations may also arise on the translation of the balance sheet of (net investment in) our US-based subsidiaries or other foreign subsidiaries where the functional currency is different from the Canadian dollar, and they are recorded in other comprehensive income. We do not hedge for this foreign exchange translation risk.

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

Although we may buy or sell foreign currencies in exchange for Canadian dollars in accordance with our foreign exchange risk mitigation strategy, on occasion we may have a net exposure to foreign exchange fluctuations because of the timing of the recognition and relief of foreign-denominated assets and liabilities. At December 31, 2013, due to a slight net exposure, a $0.01 increase or decrease in the exchange rates, with all other variables held constant, would have had an immaterial impact on our net income for the year.

Interest rates
Changes in interest rates also present a risk to our performance. Our revolving credit facility carries a floating rate of interest. In addition, we are subject to interest rate pricing risk to the extent that our investments held for self-insured liabilities contain fixed-rate government and corporate bonds and term deposits. We estimate that, based on our loan balance at December 31, 2013, a 0.5% increase in interest rates (with all other variables held constant) would have an immaterial impact on our basic earnings per share for the year.

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

Related-Party Transactions
We have subsidiaries that are 100% owned and are consolidated in our financial statements. We also have management agreements in place with several structured entities to provide various services, including architecture, engineering, planning, and project management. Based on these management agreements, we have assessed that we have control over the relevant activities, we are exposed to variable returns, and we can use our power to influence the variable returns; therefore, we control these entities and have consolidated them in our consolidated financial statements. We receive a management fee generally equal to the net income of the entities and have an obligation regarding their liabilities and losses. Transactions among subsidiaries and structured entities are entered into in the normal course of business and on an arm's-length basis. Using the consolidated method of accounting, all intercompany balances are eliminated.

From time to time, we enter into transactions with associated companies and other entities pursuant to a joint arrangement. These transactions involve providing or receiving services and are entered into in the normal course of business and on an arm's-length basis. Associated companies are entities over which we are able to exercise significant influence but not control. A joint arrangement is classified as either a joint venture or joint operation, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement. Joint ventures provide us with rights to the net assets of the arrangement. Joint operations provide us with rights to individual assets and obligations.

We use the equity method of accounting for our associated companies and joint ventures. We account for joint operations by recognizing our share of assets, liabilities, revenues, and expenses of the joint operation and combining them line by line with similar items in our consolidated financial statements. The total amount of dividends and distributions received from our joint ventures was $2.7 million during 2013. Dividends and distributions received from our associated companies were immaterial during 2013.

Key management personnel have authority and responsibility for planning, directing, and controlling the activities of our Company and include our CEO, COO, CFO, and senior vice presidents. Total compensation to key management personnel and directors recognized as an expense during 2013 was $19.1 million (during 2012, $13.9 million).

From time to time, we guarantee the obligations of subsidiaries or structured entities regarding lease agreements. In addition, from time to time, we guarantee subsidiaries' or structured entities' obligations to a third party pursuant to an acquisition agreement. (Transactions with subsidiaries, structured entities, associated companies, and joint ventures are further described in notes 13 and 30 of our 2013 audited consolidated financial statements and are incorporated by reference herein.)

Outlook

The following discussion includes forward-looking statements. For an outline of the material risks and assumptions associated with these statements, refer to the Cautionary Note Regarding Forward-Looking Statements section. The following table summarizes our expectations for the coming year:

Measure	**2014 Target Range**
Gross margin as % of net revenue	Between 54% and 56%
Administrative and marketing expenses as % of net revenue	Between 40% and 42%
EBITDA as % of net revenue	Between 13% and 15%
Net income as % of net revenue	At or above 6%
Effective income tax rate	At or below 28.5%
Return on equity *(notes 1 and 3)*	At or above 14%
Net debt to EBITDA *(notes 2 and 3)*	Below 2.5

note 1: Return on equity is calculated as net income for the last four quarters divided by average shareholders' equity over each of the last four quarters.
note 2: Net debt to EBITDA ratio is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash and cash equivalents, divided by (2) EBITDA, which is calculated as income before income taxes plus net interest expense, amortization of intangible assets, depreciation of property and equipment, and goodwill and intangible impairment.
note 3: Return on equity and net debt to EBITDA are non-IFRS measures and are discussed in the Definitions section of this report.

We lowered the targeted range for gross margin as a percentage of net revenue from between 54.5% and 56.5% in 2013 to between 54% and 56% for 2014. We also lowered the targeted range for administrative and marketing expenses as a percentage of net revenue from between 41% and 43% in 2013 to between 40% and 42% for 2014. All other targets remained the same. We lowered these two targets due to the current mix of projects, particularly, the increase in project activity in our Energy & Resources business operating unit. We also added the new target of EBITDA as a percentage of net revenue between 13% and 15% since we use this measurement as part of our overall assessment of our operating performance.

Actual performance will fluctuate depending on the mix of clients and projects and the number of acquisitions completed in a year. Some targets, such as net debt to EBITDA, could be impacted and potentially exceeded by completing an opportune larger acquisition that increases our debt level above our target for a period of time.

The diverse infrastructure and facilities market consists of many sectors and industries in both the public and private sectors. Clients within this market require services from multiple disciplines and areas of expertise for projects of varying complexities across the project life cycle. In North America, our principal area of operation, design-related revenue for the infrastructure and facilities market is approximately US$95 billion—our market share is approximately 2%. Market size is affected by many factors, including capital spending plans of private sector clients, government allocations to infrastructure, and the range of alternative delivery models in certain sectors. Our footprint in Latin America, India, the Caribbean, the Middle East, and the United Kingdom provides an additional, although small, presence in international markets.

In 2014, we have an overall moderate growth outlook for professional services in our key sectors in North America. When determining our overall outlook, we considered the following expectations:

- Greater strength in the private sector markets than the public sector markets
- Continued improvement in the United States as we build a top-tier position
- Energy and resource development in Canada to remain robust, supporting industries and geographies that relate to or benefit from these sectors
- Consolidated margins may continue to be impacted by an increase in the relative size of our oil and gas business
- Support for the alternative project delivery approaches, including P3s, will continue in Canada and will present new opportunities in the United States.

The overall outlook for our International operations is moderate growth as we continue to organically build our experience and presence. We base our overall outlook on a variety of factors, including the material factors described below.

Geographic Outlook

Canada
We believe that our Canadian operations will achieve moderate organic gross revenue growth in 2014. Economic conditions in Canada are faring well during this period of slow global economic growth.

Private sector: Activity in the energy sector has increased, primarily because commodity prices have remained at relatively high historic levels. Many clients, particularly in the midstream industry, require large capital expenditure plans because of their need for market diversification and transport infrastructure for their energy products. This has a positive spillover to other sectors, such as urban development. Considering the cost pressure and labor constraints in some disciplines, the current level of growth may not prove to be a sustainable pace for developing the energy and resource sectors over the long term.

Public sector: The fiscal situation of the federal and most provincial governments limits the likelihood of significant increases in public infrastructure funding in 2014. P3 activity in 2014 is expected to be at similar levels as 2013. We anticipate that a constrained public spending environment will continue.

Other factors: Overall, real GDP is projected to grow 2.5% in 2014, according to the Bank of Canada. The following factors support our outlook of moderate organic gross revenue growth:

- Real GDP is expected to increase slightly, demand from private business is increasing, and government funding is essentially flat. Most economic indicators (excluding energy and resources) remain mixed, which leaves some risk of decline, especially if global conditions worsen.

- The Bank of Canada overnight rate target is currently at 1.0% and is expected to remain low in 2014.

- The World Bank expects that in 2014 metal prices will remain similar to current levels. Overall, weakness in metals prices suggests that large capital projects for mining firms may remain slow as firms manage spending in accordance with market risk.

- The Energy Information Administration projects a moderate increase in energy prices in 2014 due to a continuing global demand. The increasing supply in North America, along with relatively stable energy prices, suggests that capital expenditure by energy firms will continue in North America.

- The tight fiscal positions of federal and provincial governments have forced a review of budget allocation priorities. In some jurisdictions, general constraints on spending will continue to affect investment in public infrastructure, though both the impact and timing remain uncertain.

- The Canadian dollar has recently depreciated to nearly $0.90. The Bank of Canada estimates the Canada/US exchange rate average will remain near current levels throughout the year.

- The public continues to be aware of environmental issues. Governments continue to discuss climate change, although little change is expected in the regulatory environment while economic and development issues remain in focus. But increased awareness can have numerous effects: moving towards responsible industrial development, pursuing sustainable design, improving water distribution and treatment, and reducing the ecological footprint.

- The strength of Canada’s resource-based economy and its limited political risk are attracting the attention of many US and international competitors. This increases competitive pressure, especially in the P3 market, and this pressure is expected to continue in 2014.

- The Canadian Mortgage and Housing Corporation suggests that total housing starts will remain stable—from 187,923 in 2013 to 187,300 in 2014—with single family housing starts also remaining similar to 2013.

United States

We believe that our US operations will achieve moderate organic gross revenue growth in 2014. Overall, economic growth has improved more slowly than anticipated in the United States. The US Congressional Budget Office projects real GDP growth to be 2.6% in 2014. We believe the outlook for the private sector is more favorable than for the public sector, which remains plagued by budget constraints and uncertainty due to ongoing political and regulatory discussion at a federal level. These factors limit long-term fiscal clarity, affecting client and public confidence and the level of capital investment.

Private sector: A number of factors indicate a strengthening economy and offer support for a stronger recovery in 2014, especially in regions supported by resource activity. These factors include a decrease in unemployment rates, a slowly reviving housing market, an increase in auto and equipment sales, an increase in capital spending, and record low interest rates.

Generally, investment activity by clients is proceeding at a moderate pace. Many clients are remaining in a “wait and see” mode with their long-term programs, pending clarity in funding for infrastructure-related activities and direction related to environmental and business priorities.

Public sector: Higher taxes and broad spending cuts at a federal level have influenced the market and business confidence overall, even though increasing state and municipal tax receipts contributed to a more positive fiscal situation. But we do see that alternative project delivery is emerging as a solution to US infrastructure funding issues, and we expect to be well positioned to bring our Canadian expertise into the much larger US market. When this will happen is yet to be determined, especially considering that we must ensure adequate process transparency and a sufficient number of projects.

Other factors: The United States remains a very large market; we expect our performance will gradually improve throughout 2014. The following factors support our outlook of moderate organic gross revenue growth:

- Housing activity is expected to increase in 2014, with the seasonally adjusted annual rate recovering to 1,146,000 from 921,000 in 2013.
- In recent months, the Architecture Billings Index from the American Institute of Architects has remained consistently positive, reporting above 50.0, which suggests improved demand for design services.
- At the US federal level, adjustments made to rebalance the budget and develop a sustainable long-term plan for the deficit and debt may negatively impact public infrastructure spending. Although they are recovering, states and municipalities are still experiencing budget pressures and seeking innovative solutions for funding infrastructure. An increase in alternative project deliveries, special levees, and user-paid approaches may affect the market.
- The healthcare bill implementation, new regulations for emissions and water treatment, the extension of the expiring transportation bill, and other uncertainties are impacting clients. They are less willing to consider infrastructure rehabilitation or construction projects. Any governmental priorities and regulations that do emerge will affect opportunities in 2014.
- Environmental issues continue to be a focus area, with key industrial projects receiving strong public attention. Regulatory and permitting changes for industrial sectors will continue and will influence resource management and environmental compliance and monitoring. Current political attention on the general economy suggests that major changes, such as climate change regulations, are unlikely in 2014.

- Strong energy prices and the move toward energy independence mean that the shale gas industry will likely continue growing in 2014, particularly in liquids-rich areas. We may have the opportunity to implement strategies that will result in organic growth, especially in the areas of environmental services, site infrastructure design, transmission, and water treatment. However, this busy market ensures our competitors are striving to do the same.

In the United States we are seeing increased benefits from a diverse service mix and an increasingly mature presence. As we continue to build our strong local presence and support projects and developments in communities where we have significant critical mass, we expect to have more opportunities and to better leverage our economies of scale.

International
We believe that our International operations will achieve moderate organic gross revenue growth in 2014. These operations currently make up a small percentage of our business. Most of the International business falls within our Buildings business operating unit, although we are also active in the mining and urban development sectors.

In 2014, we anticipate that opportunities in the mining sector may fluctuate as a result of the cyclical nature of this business. To offset any decrease in opportunities, we expect to apply our global expertise in sectors such as healthcare, water, and urban development and into geographic areas where we currently have a developing presence.

The following factors support our outlook of moderate organic gross revenue growth:
- Public and private sector spending has been globally affected by the economic slowdown. Strength in emerging markets is moderating, and a majority of developed economies are slowing recovering.
- Our emerging global presence means success depends on establishing our position and executing our current work effectively.
- The World Bank forecasted that for 2014 GDP growth is 6.2% for India, 2.8% for the Middle East, 2.9% for Latin America and the Caribbean regions, and 1.1% for the Euro area.

Business Operating Unit Outlook

Buildings
We believe that organic gross revenue growth for our Buildings business operating unit will remain stable in 2014. Overall, the buildings industry remains cautious, and while we expect to recover from the levels of previous years because of our top-tier positioning and global expertise—especially in healthcare, education, and airports—that recovery may not take place in 2014.

We established our outlook based on our expectations, which are listed below:

- We expect the pipeline of P3 projects to be released in the healthcare sector will remain stable in Canada, and we will continue to secure our share of projects in a highly competitive environment. In the United States, we expect to be well positioned as clients adjust to the implications of the Patient Protection and Affordable Care Act.

- We anticipate that our capabilities, national reach, and integrated service offerings will enable us to continue our national retail rollout projects in the commercial sector, particularly in Canada.

- We believe the education market will continue to improve in Canada alongside stronger economic growth, and the improving outlook for endowment funds in the United States suggests that colleges and universities may have more capital for infrastructure investments.

- We anticipate the highly competitive landscape for Industrial Buildings & Facilities will remain stable, and the trend for P3 procurement of maintenance, operations, and storage facilities will continue.

- We expect the airport sector will remain stable, and we will continue to win projects in this sector due to our strong positioning as well as our expertise across our geographic platform.

Energy & Resources
We anticipate moderate organic gross revenue growth in our Energy & Resources business operating unit for 2014. The rate of growth may moderate primarily because of the robust growth in 2012 and 2013 and anticipated labor constraints moving forward.

We established our outlook based on our expectations, which are listed below:

- We expect energy prices will remain stable and continue to support the capital spending plans of our oil and gas clients. Furthermore, we believe the pace of midstream activity in the oil and gas sector will remain strong because of the expected price differentials between international and Canadian markets. As well, the movement toward shale resources in the United States will continue to support the need for more transmission and export-related infrastructure.

- We anticipate that the power sector to be moderately soft in 2014 because of a lack of clarity in emission regulations and the slowdown of renewable generation activity resulting from a reduction in government subsidies and programs.

- We believe that environmental regulations in the oil and gas and mining sectors will continue to increase. Stakeholder management will remain crucial to project approval, a driver for our front-end permitting and environmental services.

- We expect commodity prices relating to mining will remain relatively low with challenging financial markets continuing to affect some clients' access to capital and spending. We expect our clients—major mining companies—will remain focused on commodities, such as potash, that have strong economic and long-term prospects. Also, we believe our strong relationships and position in the mining sector will continue to support our performance.

Infrastructure
In 2014, we expect moderate organic gross revenue growth in the Infrastructure business operating unit. We expect that a gradual continuation of long-term trends—in particular, population growth, urbanization, and the need to rehabilitate aging infrastructure—will further drive the requirement for our water, urban development, and transportation services.

We established our outlook based on our expectations, which are listed below:

- We expect public infrastructure funding will remain relatively stable across North America. We anticipate that geographies impacted by population growth or benefiting from significant energy and private sector development will experience greater infrastructure demands in the transportation, urban development, and water sectors.

- We believe the urban development sector, primarily dependent on residential housing activity, will remain stable in Canada and continue to improve in the United States. Continued diversification of the urban development sector will better position us to respond to re-urbanization trends and provide opportunities to leverage cross-company expertise to support retail and municipal clients.

- In transportation, we expect state, provincial, and municipal budgets will provide a stable level of funding, and P3 opportunities will remain moderate in 2014 in a competitive environment. In the United States, a new or extended transportation bill will emerge when the current 27-month funding expires in 2014. This will support our transportation business.

- We anticipate that capital spending will remain stable for our municipal water business because of increased regulation, aging infrastructure, and population growth. Growth—driven by increasing demand for water resource management and industrial treatment services in the areas of mining, oil and gas, and power—is likely.

Overall Outlook

We believe that our overall outlook for 2014 is a moderate increase in organic revenue, with an approximate 4.0% targeted increase compared to 2013. This revenue will be generated mainly in regions and sectors where we have strong community presence as a top-tier service provider.

We expect the economic environment will continue to modestly improve; however, negative pressures, such as increased competition, margin compression, project delays, and fiscal rebalancing, are lingering. Because of the diversity of our operations, the mix of our clients, the flexibility of our business model, and our positioning to work effectively in local communities and on national opportunities, we believe that we will continue to operate our business efficiently, to adapt our business to changing economic conditions, and to position ourselves for growth in a very large infrastructure and facilities market.

Compared to 2013, the 2014 organic gross revenue outlook for our Buildings business operating unit is stable and our Energy & Resources and Infrastructure business operating units are moderate growth.

Going forward, we expect to achieve a long-term average annual compound growth rate for gross revenue of 15%. We have met or exceeded 15% each year since our initial public offering in 1994. This continued growth results from successfully executing our strategy. This growth allows us to enhance the depth of our expertise, broaden our service offerings, increase our geographic presence in communities across North America, provide expanded opportunities for our employees, and leverage our integrated management systems. Further

maximizing the critical mass and maturity we have achieved in certain practice areas and geographic locations also enables us to increase our business with key clients and sell our services across local markets.

Our ability to expand 15% annually depends on our strategic efforts to grow organically and the availability of acquisition opportunities. We do not expect to encounter constraints when looking for available acquisition candidates, given our past success and the trend in our industry—smaller firms wanting to join larger and more stable organizations. At any particular time, we discuss consolidation opportunities with many firms. Since we want an appropriate cultural fit and complementary services that can provide an accretive transaction, the acquisition process can extend over months, even years.

To establish our budgets for 2014, we

- Assumed that compared to the US dollar, the Canadian dollar would weaken and be slightly below the US dollar throughout the year.
- Assumed that the average interest rate would remain relatively stable in 2014 compared to 2013.
- Considered the tax rates substantially enacted at December 31, 2013, for the countries in which we operate (primarily Canada and the United States) to establish our effective income tax rate.
- Expect to support our targeted level of growth using a combination of cash flows from operations and borrowings. Under certain market conditions, we will also consider issuing common shares.

Critical Accounting Estimates, Developments, and Measures

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with IFRS, which requires us to make various judgments, estimates, and assumptions. The notes to our December 31, 2013, consolidated financial statements outline our significant accounting estimates. The accounting estimates discussed below are considered particularly important because they require the most difficult, subjective, and complex management judgments. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome.

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

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

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

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

Share-Based Payment Transactions. We measure the cost of share-based payment transactions by reference to the fair value of the equity instruments at the date they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. We have chosen the Black-Scholes option-pricing model for equity-settled and cash-settled share-based payment transactions.

Estimating fair value also requires determining and making assumptions about the most appropriate inputs to the valuation model, including volatility in the price of our shares, a risk-free interest rate, and the expected hold period to exercise. The expected volatility is based on the historical volatility of our shares over a period commensurate with the expected term of the share option. The risk-free interest rate for the expected life of the options is based on the yield available on government bonds, with an approximate equivalent remaining term at the time of the grant. Historical data is used to estimate the expected life of the option.

We also estimate our forfeiture rate for equity-settled transactions based on historical experience to determine the compensation expense arising from the share-based awards. Changes to the estimates are reflected in the period in which they are made and would affect our administrative and marketing expenses, share capital, contributed surplus, and other liabilities. During 2013, we issued share options, deferred share units, and restricted share units.

Business Combinations. In a business combination, we may acquire the assets and assume certain liabilities of an acquired entity. The estimate of fair values for these transactions involves judgment when determining the fair values assigned to the acquired tangible and intangible assets (e.g., backlog, client relationships, and favorable and unfavorable leases) and the liabilities assumed on the acquisition. Determining these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earning multiples. If our estimates or assumptions change prior to finalizing the fair value of assets acquired and liabilities assumed for a transaction, a revision to fair values may impact our net income in future periods. We are currently in the process of finalizing the fair value of assets acquired and liabilities assumed for the IBE, JDA, and CGL acquisitions.

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

The methodology we use to test for goodwill and intangible impairment includes significant judgments, estimates, and assumptions. Impairment exists when the carrying amount of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is based on available data from binding sales transactions in an arm's-length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. In the absence of such data, other valuation techniques can be used to estimate fair value less costs to sell. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from budgets over an appropriate number of years and do not include restructuring activities that we are not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

The recoverable amount, when based on a discounted cash flow methodology, is most sensitive to the discount rate used, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. To arrive at cash flow projections, we use estimates of economic and market information over the projection period, including growth rates in revenues, estimates of future expected changes in operating margins, and cash expenditures. Other significant estimates and assumptions include future estimates of capital expenditures and changes in future working capital requirements.

We believe that our methodology provides us with a reasonable basis for determining whether an impairment charge should be taken. Note 11 in our 2013 audited consolidated financial statements, which provides more detail about our goodwill impairment test, is incorporated by reference.

We performed our annual goodwill impairment test as at October 1, 2013. Based on the results of the test, management concluded that the recoverable amount of its CGUs exceeded their carrying amount and, therefore, goodwill was not impaired.

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

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

Taxes. Uncertainties exist when interpreting complex tax regulations and the amount and timing of deferred taxable income. Our income tax assets and liabilities are based on interpretations of income tax legislation across various jurisdictions, primarily in Canada and the United States. Our effective tax rate can change from year to year based on the mix of income among different jurisdictions, changes in tax laws in these jurisdictions, and changes in the estimated value of deferred tax assets and liabilities.

Our income tax expense reflects an estimate of the cash taxes we expect to pay for the current year, as well as a provision for changes arising in the values of deferred tax assets and liabilities during the year. The tax value of these assets and liabilities is impacted by factors such as accounting estimates inherent in these balances, our expectations about future operating results, previous tax audits, and differing interpretations of tax regulations by the taxable entity and the responsible tax authorities. Such differences in interpretation may arise for a wide variety of issues, depending on the conditions prevailing in the respective legal entity's domicile. On a regular basis, we assess the likelihood of recovering value from deferred tax assets, such as loss carryforwards, as well as from the deferred tax depreciation of capital assets, and we adjust the tax provision accordingly.

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

Interests in Other Entities. We determine whether we control another entity by making judgments about

- What the relevant activities of that entity are
- Whether we have the power to direct those activities
- Whether we are exposed to variable returns of the entity

We assess whether we have control, significant influence, or joint control over an entity based on the individual facts and circumstances of each agreement. In the case of a joint arrangement, we make judgments to determine if the arrangement is a joint venture or joint operation, including whether we have rights to the individual assets or liabilities or to the net assets of the entity and whether unanimous consent is required in making decisions about relevant activities.

Accounting Developments

Recently adopted

Effective January 1, 2013, we adopted the following standards and amendments:

- IFRS 7 Financial Instruments: Disclosures (IFRS 7) – offsetting financial assets and liabilities (amended)
- IFRS 10 Consolidated Financial Statements (IFRS 10)
- IFRS 11 Joint Arrangements (IFRS 11)
- IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)
- IFRS 13 Fair Value Measurement (IFRS 13)
- IAS 1 Presentation of Financial Statements (IAS 1) (amended)
- IAS 19 Employee Benefits (IAS 19) (amended)
- IAS 27 Separate Financial Statements (IAS 27) (amended)
- IAS 28 Investments in Associates and Joint Ventures (IAS 28) (amended)
- Annual Improvements (2009–2011 Cycle)

The adoption of these new standards and amendments did not have an impact on internal controls over financial reporting, disclosure controls and procedures, and business activities including debt covenants, key performance indicators, and compensation plans.

Amendments to IAS 19
Amendments to this standard require termination benefits outside of a wider restructuring to be recognized only when the offer becomes legally binding and cannot be withdrawn. In the context of a wider restructuring, termination benefits are recognized at the same time as other restructuring costs.

Amendments to IAS 27
The amended standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures, and associates when the entity prepares separate financial statements. The consolidation portion of this standard was removed upon amendment due to the issuance of IFRS 10.

Amendments to IAS 28
The amended standard sets out the accounting for investments in associates and the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Amendments to IFRS 7
Amendments to this standard require disclosure of information that will allow financial statement users to assess the impact of an entity's netting arrangements, including rights of set-off associated with an entity's recognized financial assets and liabilities on the entity's statement of financial position.

Annual Improvements (2009–2011 Cycle)
The IASB issued Annual Improvements (2009–2011 Cycle) to make necessary but non-urgent amendments to the following: IFRS 1 *First-time Adoption of IFRS* (IFRS 1); IAS 1 *Presentation of Financial Statements*; IAS 16 *Property, Plant, and Equipment* (IAS 16); IAS 32 *Financial Instruments: Presentation*; and IAS 34 *Interim Financial Reporting*.

The impact of adopting the amendments to IAS 19, 27, and 28, IFRS 7, and the Annual Improvements (2009–2011 Cycle) did not have a material impact on our financial position or performance. IAS 27 and 28 were amended to move disclosure requirements regarding interests in other entities to the new IFRS 12.

IFRS 12 and 13 and amendments to IAS 1 did not have a material impact on our financial position or performance; however, they result in additional disclosure.

Effective January 1, 2013, we applied IFRS 10 and 11, which resulted in a change in our accounting policies and a retrospective restatement of previous consolidated financial statements. Therefore, we consistently applied the same accounting policies throughout all periods presented in our 2013 audited consolidated financial statements as if these policies had always been in effect. Following is a description of the nature of and effect on our financial position and performance of adopting IFRS 10 and 11, as well as a description of IFRS 13 and amendments to IAS 1.

a) Changes in Accounting Policy and Impact on Financial Results

Consolidated Financial Statements
IFRS 10 establishes a single control model that applies to all entities, including structured entities (formerly called special purpose entities). IFRS 10 changes the definition of control such that a company determines whether it controls another entity by making judgments about what the relevant activities of the entity are and which party or parties have the power to direct those activities, as well as whether the company is exposed to variable returns of the entity and can use its power to influence the variable returns. In the case of joint arrangements, a company makes judgments to conclude if joint control exists by reviewing whether unanimous consent is required to make decisions about relevant activities.

In adopting IFRS 10, we reviewed the terms and conditions of agreements where we had an interest in another entity to determine whether we had control, joint control, or significant influence over the entity as at January 1, 2013. The adoption of the new control concept did not result in a material change to the consolidation conclusion for our subsidiaries or structured entities, but did result in classification changes to certain associated entities and investments in joint arrangements (further explained under the discussion of IFRS 11 in the paragraph below).

Joint Arrangements and Investments in Associates and Joint Ventures
Under IFRS 11, joint arrangements must be classified as either joint operations or joint ventures. The Company makes judgments to determine if the arrangement is a joint venture or joint operation based on the rights and obligations arising from the contractual obligations between the parties to the arrangement. Joint arrangements that provide a company with rights to the net assets of the arrangement are classified as joint ventures, and joint arrangements that provide a company with rights to the individual assets and obligations arising from the arrangement are classified as joint operations.

In adopting IFRS 11, we can no longer use the proportionate consolidation method to account for joint ventures. Instead, joint ventures must be accounted for using the equity method. Investments in associates continue to be accounted for using the equity method. The equity method of accounting has not changed from the description provided in note 4 of our 2012 audited consolidated financial statements. For a joint arrangement classified as a joint operation, we are required to recognize our share of assets, liabilities, revenues, and expenses of the joint operation and combine them line by line with similar items in our consolidated financial statements.

As a result of the retrospective application of IFRS 10 and 11, we restated certain line items in our 2012 consolidated statements of financial position and consolidated statements of income. In particular, proportionate consolidation was removed. Also, after completing a review of our joint arrangements, the categorization of certain entities was changed to joint venture, joint operation, or associate, and the applicable accounting method was applied.

The adoption of IFRS 10 and 11 had an immaterial impact on our January 1, 2012, and December 31, 2012 consolidated statements of financial position, as well as an immaterial impact on our 2012 retained earnings, basic and diluted earnings per share, and operating, investing, and financing cash flows. The following table summarizes the significant adjustments made to our consolidated statements of income for the year ended December 31, 2012.

(In millions of Canadian dollars)	Year Ended December 31, 2012		
	As Previously Reported	**Adjustments**	**As Restated**
Gross revenue	1,882.9	(12.6)	1,870.3
Subconsultant and other direct expenses	326.5	(10.0)	316.5
Net revenue	1,556.4	(2.6)	1,553.8
Direct payroll costs	700.8	(1.2)	699.6
Gross margin	855.6	(1.4)	854.2
Administrative and marketing expenses	633.2	(1.1)	632.1
Share of income from joint ventures and associates	(1.8)	(0.2)	(2.0)
Income taxes (current)	44.7	(0.2)	44.5
Overall impact on net income for the year		**0.1**	

b) Changes in Statement Presentation and Disclosure

IFRS 12 sets out the requirements for disclosure relating to an entity's interest in subsidiaries, joint arrangements, associates, and structured entities.

IFRS 13 establishes a single source of guidance under IFRS for all fair-value measurements. This standard does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 did not have a material impact on the fair value measurements carried out by our Company. This standard also requires specific disclosures on fair values; some of these replace existing disclosure requirements in other standards. We included the applicable disclosure for IFRS 13 in note 22 of our 2013 audited consolidated financial statements. Since this standard is applied prospectively, comparative disclosures for prior periods are not required.

Amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss in the future are required to be presented separately from items that will never be reclassified. We included this disclosure in our 2013 audited consolidated financial statements.

Future adoptions

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

Financial instruments

IFRS 9 *Financial Instruments* (IFRS 9) is being issued in three phases that, when complete, will replace the existing standard, IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). The three phases are Classification and Measurement, Impairment, and Hedge Accounting.

- In November 2009, the first version of IFRS 9 included classification and measurement requirements for financial assets. It replaced multiple models with a single model that has only two classification categories: amortized cost and fair value.

- In October 2010, a revised version of IFRS 9 included classification and measurement requirements for financial liabilities and requirements for the derecognition of financial assets and financial liabilities. It requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, instead of in profit or loss.

- In December 2011, limited amendments were made to IFRS 9.

- In November 2013, a revised version of IFRS 9 included new hedge accounting requirements with the aim of better reflecting an entity's risk management activities in its financial statements. In addition, it requires that changes in the fair value of an entity's own debt caused by changes in its own credit quality be recognized in other comprehensive income and not in profit or loss.

IFRS 9 is currently available for adoption. There is no required effective date as further amendments are expected to be made to the classification and measurement requirements and to the impairment model before a final standard is issued. Once a final version of IFRS 9 is available, a mandatory effective date will be set.

Financial instruments: Presentation

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

Recoverable amount disclosures

In May 2013, the IASB issued amendments to IAS 36 *Impairment of Assets* (IAS 36) – *Recoverable Amount Disclosures for Non-Financial Assets*. These amendments clarify that an entity is required to disclose information about the recoverable amount of an impaired asset (including goodwill or a CGU) if the recoverable amount is based on the fair value less cost to sell methodology. The amendment also sets out other disclosure requirements for non-financial assets. The amendments to IAS 36 are applicable for annual periods beginning on or after January 1, 2014.

Annual improvements to IFRSs

In December 2013, the IASB issued Annual Improvements (2010–2012 Cycle) to make necessary but non-urgent amendments to the following: IFRS 2 *Share-based Payment*; IFRS 3 *Business Combinations* (IFRS 3); IFRS 8 *Operating Segments*; IFRS 13; IAS 16; IAS 24 *Related Party Disclosures*; and IAS 38 *Intangible Assets*. These amendments are required to be applied prospectively for annual periods beginning on or after July 1, 2014, except for the amendment to IFRS 13 that affects only the Basis for Conclusions and is therefore effective immediately.

In December 2013, the IASB also issued Annual Improvements (2011–2013 Cycle) to make necessary but non-urgent amendments to the following: IFRS 1; IFRS 3; IFRS 13; and IAS 40 *Investment Property.* These amendments are required to be applied prospectively for annual periods beginning on or after July 1, 2014, except for the amendment to IFRS 1 that affects only the Basis for Conclusions and is therefore effective immediately.

Materiality

We determine whether 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 was omitted or misstated.

Definition of Additional IFRS Measures

IFRS mandates certain minimum line items for financial statements and requires presentation of additional line items, headings, and subtotals when such presentation is relevant to an understanding of a company’s financial position and performance. Because IFRS requires such additional GAAP measures, the measures are considered additional IFRS measures, rather than non-IFRS financial measures. This Management’s Discussion and Analysis includes reference to and uses terms that are considered additional IFRS measures. We believe that the measures defined here are useful for providing investors with additional information to assist them in understanding components of our financial results.

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

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

Definition of Non-IFRS Measures

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

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

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

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

EBITDA. EBITDA represents net income before interest expense, income taxes, depreciation of property and equipment, amortization of intangible assets, and goodwill and intangible impairments. This measure is referenced in our credit facility agreement as part of our debt covenants, and we use it as part of our overall assessment of our operating performance. There is no directly comparable IFRS measure for EBITDA.

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

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

Net Debt to EBITDA. As part of our assessment of our capital structure, we monitor net debt to EBITDA. This measure is referenced in our credit facility agreement as part of our debt covenants. It is defined as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash and cash equivalents, divided by (2) EBITDA (as defined above). There is no directly comparable IFRS measure for net debt to EBITDA.

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

Backlog. As part of our assessment of our financial condition, we monitor our backlog. We define backlog as the total value of secured work that has not yet been completed that

- Is assessed by management as having a high certainty of being performed by either the existence of an executed contract or work order specifying the job scope, value, and timing, *or*
- Has been awarded to us through an executed binding or non-binding letter of intent or agreement describing the general job scope, value, and timing. Management must be reasonably assured that the letter of intent or agreement will be finalized in the form of a formal contract.

Backlog is not a recognized performance measure under IFRS and does not have any standardized meaning prescribed by IFRS. We believe that backlog is a useful means of projecting activity in future periods. There is no directly comparable IFRS measure for backlog.

Risk Factors

Enterprise Risk Management Program

To preserve and enhance stakeholder value, we approach risk management strategically through our Enterprise Risk Management (ERM) program. We have adopted the integrated framework designed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (1992 framework). It consists of eight stages of risk management, and we have consolidated those stages into four categories, described below.

1) Internal Environment and Objective Setting

Our internal environment includes the tone set by our board and management, and it establishes the basis for how risk is viewed and addressed by all employees. It includes our risk management philosophy and risk appetite, our integrity and ethical values, and the environment in which we operate.

To carry out Stantec's vision and goals, management establishes strategic objectives, identifies tactics, and aligns the objectives for the entire Company. Our ERM framework helps us identify the following types of objectives:

- Strategic – high-level goals that align with and support our purpose
- Operations – operational goals that help to ensure the effective and efficient use of our resources
- Reporting – goals that lead to reliability in reporting
- Compliance – goals that outline how we can comply with applicable laws and regulations

2) **Event Identification and Risk Assessment**

We analyze the likelihood that risks will occur and the impact of risks. Events are identified and assessed for inherent risk (before giving consideration to risk mitigation) and then for residual risk (after giving consideration to risk mitigation). Management can then assess whether current risk management techniques are sufficient or whether additional risk mitigation is required. We identify principal risks, then align them with our strategic planning process. In this way, key Company initiatives are identified while considering our risk appetite and appropriately managed to ensure we deliver value to our stakeholders.

3) Risk Response and Control Activities

Policies and procedures are established to help ensure that the risk-specific response (avoiding, accepting, reducing, or sharing) aligns with our risk tolerances and risk appetite.

4) Information and Communication and Monitoring

We identify, process, and communicate relevant information in an appropriate manner and within necessary time frames. Effective communication flows down, up, and across the Company to enable people to carry out their responsibilities. We monitor control activities—through ongoing management activities, separate evaluations, or both—and make changes as required.

The Team

The team involved with risk management includes our board of directors, the Audit and Risk Committee, the CEO, and, of course, the Risk Management Team. Our Risk Management Team includes representatives from legal and insurance and claims management. Our Executive Leadership, Functional Services, Integrity Management, and Practice and Quality Management teams also play key roles.

Stantec's board of directors provides oversight and carries out its risk management mandate primarily through the Audit and Risk Committee. The committee is not involved in day-to-day risk management activities; rather, it ensures that the Company has an appropriate risk management system, one that allows management to bring the Company's principal risks to the board's attention.

The committee's oversight responsibilities follow:

- Ensure that management has developed appropriate methods to identify, evaluate, mitigate, and report on the principal risks inherent to our business and strategic direction
- Ensure that our systems, policies, and practices are appropriate and address our principal risks
- Review the Company's risk appetite, risk tolerance, and risk retention philosophy

Within the Company, our CEO is directly accountable to the board of directors for all risk-taking activities and risk management practices. The Risk Management Team supports the CEO's mandate and owns the ERM process.

Our Executive Leadership and Functional Services teams are responsible for identifying and mitigating principal risks. The Company's Integrity Management Team conducts fraud risk assessments for the Company's operations and is a key control function for Stantec.

Internal Audit also supports the Company's overall risk management program by assisting the Audit and Risk Committee in the discharge of its responsibilities relating to financial controls and control deviations. Internal Audit also conducts internal audits in various areas of the Company and works within the ERM framework, ensuring that the Company's principal risks have been appropriately identified. One goal of the ERM program is to continue leveraging the expertise of Internal Audit to design better control and monitoring activities.

Finally, our Practice and Quality Management Team plays a vital role by

- Conducting internal practice audits of one-third of our offices each year to assess compliance with the ISO 90001:2008 registered Quality Management System
- Conducting comprehensive audits of a sampling of our major projects where our exposure to risk is more significant (in collaboration with our major projects group)
- Monitoring our operations to ensure compliance to our risk mitigation strategies
- Identifying emerging risks and areas for further improvement

Although management remains optimistic about our ability to successfully carry out long-term objectives, we are exposed to a number of risks and uncertainties, just like other professional infrastructure and facilities services firms. We use various strategies and practices to mitigate risks and uncertainties. When appropriate, we realign our risk disclosures as part of the continuous monitoring and annual assessment of our risks. In 2013, there were no material changes in our Company's principal risks from what is described in our 2012 Financial Review.

The most significant risks are listed below (from most to least serious) based on an assessment of the impact on our Company and the probability that they will occur. Readers of this report should consider carefully the risks and uncertainties described below, together with all other information in this report.

The risks and uncertainties described in this report are not the only ones we face. Additional risks and uncertainties—that we are unaware of or that we currently believe are not material—may also become important factors that adversely affect our business. If any of the following risks actually occur, the effects described below in respect of each risk are not the only ones we face, and our business, financial condition, results of operations, and future prospects could be materially and adversely affected in ways we do not currently anticipate.

Strategic Risks

Strategic Positioning
Stantec focuses on achieving a certain level of market presence in the geographic locations we serve, which, at this time, is principally North America. Therefore, we are exposed primarily to the economic conditions of the marketplaces within North America. During economic downturns in North America, the ability of both private and public government entities to fund expenditures may decline significantly, which could have a material adverse effect on revenue and profitability.

If we are unable to adjust our workforce or service mix for a downturn in a particular region, industry, or sector in a timely manner, the downturn could have a material adverse effect on our overall business, including the results of operations and liquidity. We cannot be certain that the North American 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 serve.

Sourcing, Executing, and Integrating Acquisitions
We may not be able to locate suitable acquisitions or complete acquisition transactions under terms and conditions that are acceptable to us. As the professional services industry consolidates, suitable acquisition candidates are expected to become more difficult to find or may be available only at prices or under terms that are less favorable than they once were.

When we do acquire a company, we face a complex task: integrating that company's operations into our own. If integrations are time consuming or challenging, they divert management's attention. Difficulties encountered while combining operations could adversely affect the combined company's business. This might prevent us from achieving the anticipated improvement in professional service offerings, market penetration, profitability, and geographic presence that were the main reasons for acquiring the company in the first place. In addition, we may be unable to retain key acquired employees to the extent projected at the time of acquisition. Employees of the acquired firm could depart because of the uncertainty and difficulties in completing the acquisition and integration or because they don't want to remain with the combined company.

Organic Growth
Organic growth is achieved when we meet client expectations through effective quality project delivery and expand services provided to existing and new clients. If we are unable to effectively compete for projects, expand services to existing and new clients, or attract qualified staff, we will have difficulty increasing market share and achieving growth plans.

Organic growth is also affected by factors beyond our control, such as economic conditions. During economic downturns, the ability of both private and public government entities to fund expenditures may decline significantly, which could in turn have a material adverse effect on our organic growth.

Operational Risks

Operational Effectiveness

Our clients depend on us to deliver projects on time, on budget, and at acceptable quality levels. For Stantec to succeed, we must have effective professional practice standards, including strong project management tools, an appropriate insurance program, and a simple and effective way to bill and collect from clients. Problems can result if projects

- Incur additional costs, which means projects will not be as profitable as we expected
- Are over budget, which may lead to client dissatisfaction
- Are not completed on schedule, which
    - Reduces profitability because staff must continue to work on them longer than anticipated
    - May prevent staff from pursuing and working on new projects
    - Could lead to client dissatisfaction

Further, because of the nature of our contracts, we commit resources to projects before we receive payments in amounts sufficient to cover our expenditures. Delays in billings and customer payments may require us to make a working capital investment. In our experience, clients who withhold payment are more likely to be dissatisfied with our services and are more likely to bring claims against us.

Human Capital Management (Attracting, Retaining, Succession Planning, Resource Management)

We derive revenue almost exclusively from services performed by our employees. Consequently, one crucial driver of our business is our ability to attract and retain qualified people. But there is significant competition for people—from major and boutique consulting, engineering, public agency, research, and other professional services firms—with the necessary skills. If we cannot attract and retain qualified staff, we will be less able to secure and complete projects and maintain client relationships. And if key personnel are unable or unwilling to continue employment with Stantec and we do not have a well-developed succession plan in place, our business, operations, and prospects may be adversely affected.

Major Project Delivery

As our Company grows, we are presented with the opportunity to work on larger and more complex projects. Historically, our business has been fee-for-service. Now, some clients are demanding alternative project delivery methods, such as bundled services for engineering, procurement, and construction (EPC), design-builds, and public-private partnerships (P3s). If we fail to respond to these market demands, clients may award these projects to our competitors. For us, this could mean lost revenue. As well, when we take on these alternative projects, we must ensure a higher level of project management; otherwise, the result could be cost overruns and liabilities.

Business Continuity Planning

We rely heavily on computer systems, communications technology, and related tools to operate properly. Our service delivery and revenues could be interrupted or delayed if we are not able to

- Add software and hardware when required
- Effectively upgrade our systems and network infrastructure
- Maintain key information technology personnel
- Improve the efficiency of and protect systems
- Protect computer and communications systems and operations from damage or interruption by natural disasters, telecommunications failures, acts of war or terrorism, computer viruses, physical or electronic security breaches, cyber security breaches, or other events

Any of these problems could cause system interruptions, loss of critical data, or a delay in operations, or could prevent operations entirely. Our operating results, liquidity, or financial position might also be affected, and adverse financial impacts could include remediation costs, costs associated with increased protection, lost revenues, litigation costs, and reputational damage leading to lost clients.

To mitigate risk to employees and clients, we must maintain clear crisis communication plans, effective emergency response plans, and effective pandemic response plans. Failure to quickly respond to a crisis could impair our ability to start or complete work for clients, leading to client dissatisfaction and claims.

Workplace Health, Safety & Environment

Our Health, Safety & Environment program is aimed at reducing risks to people, the environment, and our business; however, our employees are subject to environmental, health, and safety risks during their employment. These risks could result in personal injury, loss of life, or environmental or other damage to our property or the property of others. Some additional potential problems are listed below:

- If we have inadequate health and safety policies and practices, we could be exposed to civil or statutory liability arising from injuries or deaths
- If we cannot insure or elect not to insure because of high premium costs or other reasons, we could become liable for damages arising from these events
- If we require additional time to complete projects or lose employee time because of injury, we risk incurring additional costs on projects that have sustained environmental, health, and safety incidents

Reputational Harm

Stantec's Executive Leadership Team is responsible for monitoring, assessing, and mitigating reputational harm. Reputational harm is not a stand-alone risk exposure, but is often the outcome of or interdependent with numerous other risk events.

To manage our reputation, we must understand the extent to which stakeholders believe the Company is meeting their expectations. Our stakeholders—such as investors, employees, and clients—respond quickly to negative news about the Company, especially when we have failed to meet our commitments.

Investors: We make commitments to our investors to deliver on our set operating and financial targets and revenue growth (listed in the Results and Outlook sections in this report). Investors measure the Company's ability to do this and to achieve other strategic objectives, such as acquiring strong organizations with strong operations to avoid the need to write down the value of our goodwill and intangible assets.

Employees: We make commitments to our employees to provide stimulating, challenging work and assist them to become leaders in their fields and communities. If we fail to do this, we risk employee dissatisfaction, disengagement, and turnover.

Clients: We make commitments to our clients to do what is right within a framework committed to excellence. Failing to do this means we run the risk of eroding the client relationship. This could result in less repeat business and a poor reputation in the marketplace.

Reporting and Compliance Risk

Controls and Disclosure
Inadequate internal or disclosure controls over financial reporting could result in material misstatements in our financial statements and related public disclosures. This, in turn, could lead to a loss of market confidence and a decrease in market value.

Inadequate controls could also result in other problems: fraud, system downtime, delayed processing, inappropriate decisions based on non-current internal financial information, or the inability to continue our business operations.

Regulatory and Legal Risk
We are subject to a variety of regulations and standards. Our business model includes a range of practice areas and jurisdictions, each with its own set of rules and regulations. Our primary regulatory and legal risks include the following:

- Compliance with additional regulations and standards could materially increase our costs
- Noncompliance with laws and regulations could have a significant impact on our results
- Litigation and legal matters that we may be involved in during the normal course of business are subject to many uncertainties, and the outcome of an individual matter may be unpredictable

Availability of Capital
To deliver on our strategic plan, we need access to substantial capital. However, obtaining capital for a successful acquisition program may be difficult when we must meet other cash needs. If we are unable to obtain additional capital on acceptable terms, we may have to reduce the scope of our anticipated expansion, which may negatively affect our future competitiveness and results of operations. Using internally generated cash or taking on debt to complete acquisitions could substantially limit our operational and financial flexibility. Also, we have no assurance that existing debt will continue to be available from our current lenders or other financial institutions on similar favorable terms.

Market Risk
Several capital market risks affect our business. For us, two key drivers are currency risk and interest rate risk.

Currency risk: Although we report financial results in Canadian dollars, a substantial portion of revenue and expenses is generated or incurred in non-Canadian dollars. If the Canadian dollar strengthened relative to the US dollar and other currencies, the net income from our non-Canadian dollar business could decrease. This could have a material adverse effect on our business, financial condition, and results of operations.

Interest rate risk: Changes in interest rates present a risk to our performance. Our revolving credit facility carries a floating rate of interest, and we are also subject to interest rate pricing risk to the extent that our investments held for self-insured liabilities contain fixed-rate government, corporate bonds, and term deposits.

Tax Risk
Uncertainties exist when interpreting complex tax regulations and assessing the amount and timing of deferred taxable income. Stantec is also exposed to transfer pricing risk in the following three areas: provision of management services, insurance and financing of operations, and cross-border labor sharing and charging for services provided to external clients. Stantec has the largest exposure while providing these services between Canada and the United States.

Managing our Risks

Business Model
As a professional services firm, we focus on design. We typically do not take on construction risk or contribute equity in projects. We mitigate our operating, market, growth, and acquisition and integration risks through our business strategy and other measures. We focus our business on two client types: regional/local and global/national.

Regional/local clients: Having a local presence connects us to local clients and positions us through long-term relationships to understand their business, bid on their projects, and secure work with them. From this local base, we are also able to engage top-tier experts from anywhere across our Company to enhance regional/local project delivery.

Global/national clients: For global/national clients, we assign account managers who understand the clients' priorities so that we maintain strategic relationships and expand our opportunities.

Our three-dimensional business model—based on geographic, practice area unit, and life cycle diversification—reduces our dependency on any particular industry or economic driver. We intend to continue diversifying our geographic presence and service offerings and focusing our organization around key client sectors. We believe this reduces our susceptibility to industry-specific and regional economic cycles and will help us take advantage of economies of scale in the highly fragmented professional services industry.

We also differentiate our Company from competitors by entering into both large and small contracts with a variety of fee amounts. A broad project mix strengthens our brand identity and ensures that we do not rely on only a few large projects for our revenue. No one client or project accounts for more than 5% of our overall business. Over the last several years, we completed many acquisitions. We expect to continue to pursue selective acquisitions, enabling us to enhance our market penetration and increase and diversify our revenue base.

In 2013, management spent considerable time planning the realignment of our current organizational structure to create a system that better supports organizational evolution. In 2014, instead of practice area units, we intend on grouping our sectors and disciplines into three business operating units: Buildings, Energy & Resources, and Infrastructure. We believe this realignment will provide an organizational structure that maximizes our ability to respond to client drivers, while still supporting a broad project mix that strengthens our brand identity.

People and Practice
In 2013, our People + Practice group remained focused on our purpose—to provide value to our clients and communities—and supported a culture of excellence across the organization. To address the risk of losing qualified personnel to our competition, we offered employment incentives: training programs, access to an employee share ownership plan, opportunities for professional development and enhancement, and competitive and flexible compensation plans that are designed to reward top performance.

We continue to enhance the three primary career streams available to our professional and technical staff: business, practice, and project management. Following are two of our main initiatives during 2013:

- We developed our comprehensive, blended learning environment for our employees. It combines experiential on-the-job training, coaching and mentorship, improved tools and practices, and external networks.
- We implemented a Diversity & Inclusion Committee to foster a workplace that is supportive of the unique differences among our clients and employees.

In 2014, we will enhance our culture of coaching and mentoring—with on-the-job coaching by supervisors and project managers—and will continue to align individual learning and overall programs within our career streams.

Stantec continually works to build a corporate culture of integrity to protect our reputation. Our business practices are articulated in our project management framework, code of ethics, and policies and practices. Two ways we ensure a high standard is by conducting annual compliance training to strengthen our commitment to ethics and integrity and by reinforcing our value system (done as part of our brand repositioning in 2013).

Effective Processes and Systems

To ensure the most effective project management and execution, our integrated management system (IMS) is certified to the ISO9001:2008 (Quality Management), ISO14001:2004 (Environmental Management), and ISO 20000-1:2011 (IT Service Management System) standards. IMS provides clarity about project delivery expectations and client service excellence.

At the heart of the IMS is our 10-point project management (PM) framework that—along with the more detailed practice frameworks that exist in our practice areas—clearly conveys the steps employees must take to achieve more consistent and successful project outcomes. The PM framework helps create consistent principles relating to project execution and ensure that employees from every office are aligned with those principles. To improve PM framework compliance in specific offices and regions, we adopt regional operating unit improvement plans. These address specific corrective action, responsibilities, and deadlines for completion.

We maintain insurance coverage for our operations, including policies covering general liability, automobile liability, environmental liability, workers' compensation and employers' liability, directors' and officers' liability, and professional liability. We have a regulated captive insurance company to insure and fund the payment of any professional liability self-insured retentions related to claims arising after August 1, 2003. We or our clients also obtain project-specific insurance for certain projects when required.

In addition, we invest resources in a Risk Management Team that is dedicated to providing Company-wide support and guidance on risk avoidance practices and procedures. One of our practices is to carry out select client evaluations, including credit risk appraisals, before entering into contract agreements. This reduces the risk of nonpayment for our services.

Growth Management

We have an acquisition and integration program managed by a dedicated acquisition team to address the risk of being unsuccessful when integrating acquired companies. A senior regional or practice leader is appointed for each acquisition. The team supports and is responsible for

- Identifying and valuing acquisition candidates
- Undertaking and coordinating due diligence
- Negotiating and closing transactions
- Integrating employees and systems immediately following an acquisition

As Stantec continues to expand internationally, we are developing a disciplined approach for operating outside of North America. We consider differences in accounting systems, legal structures, languages, and cultures. We also have an integration plan that involves implementing our Company-wide information technology and financial management systems and providing support services from our corporate and regional offices.

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

Executive Compensation
Our executive compensation philosophy is aligned with our risk mitigation strategies. We compensate our executives with a mix of fixed and at-risk compensation. Our annual bonus pool rewards near-term performance contributions to encourage executives to achieve profitable business results. The amount of the bonus pool is determined as a percentage of our pre-tax, pre-bonus net income. Executives are rewarded for increasing project revenue and managing those projects in a cost-effective manner. Our employee share option plan rewards long-term performance by aligning the interests of our executives with increased shareholder returns. Our share options vest over a three-year period to encourage long-term alignment with the interests of our shareholders.

In 2013, the Corporate Governance and Compensation Committee of our board of directors undertook an in-depth review of our executive compensation programs with the assistance of an outside compensation consultant. The review included creating a peer group of companies, benchmarking to those peers, and reviewing our approach to the mix of short- and long-term incentives offered to our executives. The results of this review led to changes that will be reflected in our 2014 executive compensation programs.

In addition to our compensation programs, we have adopted share ownership requirements for our executives to further demonstrate their commitment to creating shareholder value. Also, our executives are prohibited from speculating in the securities of the Company or purchasing financial instruments that are designed to hedge or offset a decrease in value of equity securities of the Company.

We are also committed to the principle that compensation paid to our executives—based on financial information that has since been restated—should be returned. To that end, in 2012, our board of directors adopted an executive compensation claw-back policy.

Controls and Procedures

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

Under the supervision and with the participation of management, including our CEO and CFO, we carried out an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2013 (as defined in rules adopted by the SEC in the United States and as defined in Canada by National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings). Based on this evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures were effective.

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

Financial Reporting and the Independent Auditors' Report on Internal Controls are included in our 2013 consolidated financial statements.

There has been no change in our internal control over financial reporting during the year ended December 31, 2013, 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

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

Board of Directors

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

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

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

In 2013, Stantec's board included two committees: the Audit and Risk Committee and the Corporate Governance and Compensation Committee. Both committees are composed entirely of independent directors.

Audit and Risk Committee

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

Corporate Governance and Compensation Committee

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

More information about Stantec's corporate governance can be found on our website (www.stantec.com) and in the Management Information Circular for our May 15, 2014, Annual and Special Meeting of Shareholders. In addition, the following documents are posted on our website:

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

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

Subsequent Events

On January 24, 2014, we acquired Williamsburg Environmental Group, Inc., and Cultural Resources, Inc. (WEG), which added approximately 115 staff to our Company. The addition of WEG will expand our environmental services practice in the US Mid Atlantic.

On February 26, 2014, the Company declared a dividend of $0.185 per share, payable on April 17, 2014, to shareholders of record on March 28, 2014, an increase of 12.1% from last quarter.

Cautionary Note Regarding Forward-Looking Statements

Our public communications often include written or verbal "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian securities laws (collectively, "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 or courses of action and include future-oriented financial information.

Statements of this type are contained in this report, including the discussion of our goals in the Core Business and Strategy section and of our targets and expectations for our regions, and business operating units, and overall business outlook in the Outlook section, 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 2014 and beyond, our strategies or future actions, our targets, our expectations for our financial condition, or the results of or outlook for our operations.

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

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

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*
- *Effects of war or terrorist activities*
- *Effects of disease or illness on local, national, or international economies*
- *Effects of disruptions to public infrastructure such as transportation, communications, power, or water*
- *Global economic or political conditions*
- *Regulatory or statutory developments*
- *Effects of competition in the geographic or business areas in which we operate*
- *Actions of management*
- *Technological changes*

Many of these factors are beyond our control and have effects which are difficult to predict. Future outcomes relating to forward-looking statements may be influenced by these and other factors, including, but not limited to, material and known risks, which are further described in the Risk Factors section of this report.

Assumptions

In determining our forward-looking statements, we consider material factors including assumptions about the performance of the Canadian and US economies in 2014 and their effect on our business. The assumptions we

made in determining the outlook for each of our business operating units, our geographic areas, our annual targets, and our outlook for 2014 are listed in the Outlook section of this report.

The preceding list of factors is not exhaustive. Investors and the public should carefully consider these factors, other uncertainties and potential events, and 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 26, 2014, and, accordingly, are subject to change after such date. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time. In the case of the ranges of expected performance for fiscal year 2014, it is our current practice to evaluate and, where we deem appropriate, provide updates. However, subject to legal requirements, we may change this practice at any time at our sole discretion.

Exhibit 99.3

Consolidated Financial Statements

For the Years Ended December 31, 2013, and 2012

Management Report

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

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

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

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission "(1992 framework)". Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at December 31, 2013.

Ernst & Young LLP, which has audited the consolidated financial statements of the Company for the year ended December 31, 2013, has also issued a report on the effectiveness of the Company's internal control over financial reporting.



Bob Gomes, P.Eng.
President & CEO
February 26, 2014



Dan Lefaivre, FCMA
Executive Vice President & CFO
February 26, 2014

Independent Auditors' Report of Registered Public Accounting Firm

To the Board of Directors and Shareholders of Stantec Inc.:

We have audited the accompanying consolidated statements of financial position of Stantec Inc., as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the two-year period ended December 31, 2013. 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 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 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Stantec Inc. at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

As discussed in Note 6 to the consolidated financial statements, the Company changed its method of accounting for joint arrangements as a result of the adoption of IFRS 11, "Joint Arrangements" effective January 1, 2013, which included the disclosure of a statement of financial position as of January 1, 2012.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Stantec Inc.'s internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission "(1992 framework)" and our report dated February 26, 2014 expressed an unqualified opinion on Stantec Inc.'s internal control over financial reporting.

Ernst & Young LLP

Chartered Accountants
Edmonton, Canada
February 26, 2014

Independent Auditors' Report on Internal Control Over Financial Reporting

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

To the Board of Directors and Shareholders of Stantec Inc.:

We have audited Stantec Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission "(1992 framework)" (the COSO criteria). Stantec Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Stantec Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Stantec Inc. as at December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the two-year period ended December 31, 2013, and our report dated February 26, 2014, expressed an unqualified opinion thereon.



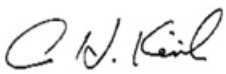
Chartered Accountants
Edmonton, Canada
February 26, 2014

Consolidated Statements of Financial Position

(In thousands of Canadian dollars)	Notes	**December 31 2013 $**	December 31 2012 $	January 1 2012 $
ASSETS	16		Restated (note 6)	Restated (note 6)
Current				
Cash and cash equivalents	8	**143,030**	40,708	34,898
Trade and other receivables	9	**384,907**	353,451	308,518
Unbilled revenue	32	**143,894**	148,908	133,434
Income taxes recoverable		**8,792**	3,840	16,825
Prepaid expenses		**18,959**	14,283	13,882
Other financial assets	14	**21,418**	17,670	13,833
Other assets		**5,231**	4,106	3,172
Total current assets		**726,231**	582,966	524,562
Non-current				
Property and equipment	10	**133,534**	114,994	107,763
Goodwill	11	**594,826**	566,784	509,028
Intangible assets	12	**78,857**	85,748	72,047
Investments in joint ventures and associates	13	**4,996**	5,286	3,980
Deferred tax assets	25	**45,383**	40,975	43,639
Other financial assets	14	**83,163**	63,691	61,606
Other assets		**1,188**	3,791	1,657
Total assets		**1,668,178**	1,464,235	1,324,282
LIABILITIES AND EQUITY				
Current				
Trade and other payables	15	**259,113**	211,726	188,929
Billings in excess of costs	32	**77,803**	60,822	49,441
Income taxes payable		**9,127**	159	-
Current portion of long-term debt	16	**37,130**	42,888	59,593
Provisions	17	**12,047**	14,863	16,373
Other financial liabilities		**1,927**	1,672	5,042
Other liabilities	18	**9,837**	8,650	5,208
Total current liabilities		**406,984**	340,780	324,586
Non-current				
Long-term debt	16	**200,943**	256,408	236,601
Provisions	17	**49,539**	36,959	42,076
Deferred tax liabilities	25	**58,082**	57,840	54,561
Other financial liabilities		**2,041**	2,342	2,257
Other liabilities	18	**57,955**	42,778	37,191
Total liabilities		**775,544**	737,107	697,272
Shareholders' equity				
Share capital	21	**262,573**	240,369	226,744
Contributed surplus	21	**12,369**	14,291	14,906
Retained earnings		**606,056**	491,227	397,706
Accumulated other comprehensive income (loss)		**11,636**	(18,862)	(12,449)
Total equity attributable to equity holders of the Company		**892,634**	727,025	626,907
Non-controlling interests		**-**	103	103
Total equity		**892,634**	727,128	627,010
Total liabilities and equity		**1,668,178**	1,464,235	1,324,282

See accompanying notes

On behalf of Stantec's Board of Directors



Aram Keith, PE, FASCE, Director



Bob Gomes, P.Eng., Director

Consolidated Statements of Income

Years ended December 31 *(In thousands of Canadian dollars, except per share amounts)*	Notes	**2013** **$**	2012 $
			Restated (note 6)
Gross revenue		**2,236,410**	1,870,259
Less subconsultant and other direct expenses		**404,031**	316,445
Net revenue		**1,832,379**	1,553,814
Direct payroll costs	27	**829,926**	699,657
Gross margin		**1,002,453**	854,157
Administrative and marketing expenses	7,21,27	**746,138**	632,086
Depreciation of property and equipment	10	**32,389**	27,849
Amortization of intangible assets	12	**21,235**	20,008
Net interest expense	26	**8,620**	8,681
Other net finance (income) expense	26	**(1,346)**	2,773
Share of income from joint ventures and associates	13	**(2,276)**	(2,026)
Foreign exchange (gain) loss		**(184)**	181
Other (income) expense		**(1,035)**	147
Income before income taxes		**198,912**	164,458
Income taxes	25		
Current		**60,141**	44,516
Deferred		**(7,430)**	(1,077)
Total income taxes		**52,711**	43,439
Net income for the year		**146,201**	121,019
Earnings per share			
Basic	28	**3.16**	2.65
Diluted	28	**3.14**	2.64

See accompanying notes

Consolidated Statements of Comprehensive Income

Years ended December 31 *(In thousands of Canadian dollars)*	**2013** **$**	2012 $
		Restated (note 6)
Net income for the year	**146,201**	121,019
Other comprehensive income (loss) (All items may be reclassified to net income in subsequent periods)		
Exchange differences on translation of foreign operations	**26,079**	(8,225)
Net unrealized gain on available-for-sale financial assets	**5,032**	1,880
Net realized gain on available-for-sale financial assets transferred to income	**(535)**	(35)
Income tax effect on available-for-sale financial assets	**(78)**	(33)
Other comprehensive income (loss) for the year, net of tax	**30,498**	(6,413)
Total comprehensive income for the year, net of tax	**176,699**	114,606

See accompanying notes

Consolidated Statements of Shareholders' Equity

(In thousands of Canadian dollars, except shares outstanding)	Shares Outstanding (note 21) #	Share Capital (note 21) $	Contributed Surplus (note 21) $	Retained Earnings $	Accumulated Other Comprehensive Income (Loss) $	Total $
Balance, January 1, 2012 (Restated; note 6)	45,523,585	226,744	14,906	397,706	(12,449)	626,907
Net income				121,019		121,019
Other comprehensive loss					(6,413)	(6,413)
Total comprehensive income				121,019	(6,413)	114,606
Share options exercised for cash	460,309	10,205				10,205
Share-based compensation expense			2,805			2,805
Reclassification of fair value of share options previously expensed		3,420	(3,420)			-
Dividends declared (note 21)				(27,498)		(27,498)
Balance, December 31, 2012	45,983,894	240,369	14,291	491,227	(18,862)	727,025
Net income				146,201		146,201
Other comprehensive income					30,498	30,498
Total comprehensive income				146,201	30,498	176,699
Share options exercised for cash	592,238	16,504				16,504
Share-based compensation expense			3,778			3,778
Reclassification of fair value of share options previously expensed		5,700	(5,700)			-
Dividends declared (note 21)				(30,569)		(30,569)
Purchase of non-controlling interests				(803)		(803)
Balance, December 31, 2013	**46,576,132**	**262,573**	**12,369**	**606,056**	**11,636**	**892,634**

See accompanying notes

Consolidated Statements of Cash Flows

Years ended December 31 *(In thousands of Canadian dollars)*	Notes	**2013** **$**	2012 $
			Restated (note 6)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash receipts from clients		**2,225,332**	1,873,351
Cash paid to suppliers		**(646,719)**	(586,270)
Cash paid to employees		**(1,247,723)**	(1,062,060)
Interest received		**1,774**	1,910
Interest paid		**(9,150)**	(13,554)
Finance costs paid		**(2,571)**	(2,481)
Income taxes paid		**(61,201)**	(37,619)
Income taxes recovered		**12,387**	7,239
Cash flows from operating activities	29	**272,129**	180,516
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired	7	**(43,539)**	(102,019)
Dividends from investments in joint ventures and associates	13	**2,685**	724
Increase in investments held for self-insured liabilities		**(25,129)**	(12,594)
Decrease in investments and other assets		**4,681**	2,243
Purchase of intangible assets		**(4,490)**	(9,065)
Purchase of property and equipment		**(52,639)**	(22,655)
Proceeds on disposition of property and equipment		**998**	215
Cash flows used in investing activities		**(117,433)**	(143,151)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Repayment of bank debt		**(70,924)**	(95,475)
Proceeds from bank debt		**36,319**	83,751
Repayment of acquired bank indebtedness	7	**-**	(2,720)
Payment of finance lease obligations		**(6,271)**	(6,434)
Proceeds from issue of share capital		**16,504**	10,205
Payment of dividends to shareholders	21	**(29,782)**	(20,601)
Cash flows used in financing activities		**(54,154)**	(31,274)
Foreign exchange gain (loss) on cash held in foreign currency		**1,780**	(281)
Net increase in cash and cash equivalents		**102,322**	5,810
Cash and cash equivalents, beginning of the year	8	**40,708**	34,898
Cash and cash equivalents, end of the year	8	**143,030**	40,708

See accompanying notes

Notes to the Consolidated Financial Statements

1. Corporate Information

The consolidated financial statements of Stantec Inc. (the Company) for the year ended December 31, 2013, were authorized for issue in accordance with a resolution of the Company's board of directors on February 26, 2014. The Company was incorporated under the Canada Business Corporations Act on March 23, 1984. Its shares are traded on the Toronto Stock Exchange (TSX) and New York Stock Exchange (NYSE) under the symbol STN. The Company's registered office is located at 10160 – 112 Street, Edmonton, Alberta. The Company is domiciled in Canada.

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

2. Basis of Preparation

These consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accounting policies adopted in these consolidated financial statements are based on IFRS effective as at December 31, 2013.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated in the significant accounting policies. The consolidated financial statements are presented in Canadian dollars, and all values are rounded to the nearest thousand ($000).

3. Basis of Consolidation

The consolidated financial statements include the accounts of Stantec Inc., its subsidiaries, and its structured entities as at December 31, 2013.

Subsidiaries and structured entities are fully consolidated from the date of acquisition, which is the date the Company obtains control, and continue to be consolidated until the date that such control ceases. The statements of financial position of the subsidiaries and structured entities are prepared as at December 31, 2013. All intercompany balances are eliminated.

Joint ventures are accounted for using the equity method, and joint operations are accounted for by the Company recognizing its share of assets, liabilities, revenues, and expenses of the joint operation.

The Company adopted IFRS 10 *Consolidated Financial Statements* and IFRS 11 *Joint Arrangements*, effective January 1, 2013, with retrospective application. The effects of these changes on the Company's accounting policies are described in note 6.

4. Summary of Significant Accounting Policies

a) Cash and cash equivalents
Cash and cash equivalents include cash, cash in escrow, and unrestricted investments. Such investments are carried at fair value.

b) Property and equipment
Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Cost includes the cost of replacing parts of property and equipment. When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognized in the consolidated statements of income as incurred.

Depreciation is calculated at annual rates designed to write off the costs of assets over their estimated useful lives as follows:

Engineering equipment	20%–30%	Declining balance
Office equipment	20%–30%	Declining balance
Automotive equipment	30%	Declining balance
Leasehold improvements		Straight-line over term of lease to a maximum of 15 years or the improvement's economic life
Buildings	10%–20%	Declining balance

The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

c) Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any impairment losses.

The Company's intangible assets have finite lives that are amortized over their useful economic lives on a straight-line basis. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Intangible assets acquired from business combinations
The Company's policy is to amortize client relationships with finite lives over periods ranging from 10 to 15 years. Contract backlog is amortized over estimated contractual lives of generally one to two years. Advantageous leasehold commitments are amortized over estimated lives of 1 to 10 years. The Company assigns value to acquired contract backlog and client relationships using the income approach, which involves quantifying the present value of net cash flows attributed to the subject asset. This, in turn, involves estimating the revenues and earnings expected from the asset. Recognition of the contributory assets, such as workforce, working capital, and property and equipment required and used to generate the expected after-tax earnings, is included since these assets also require a return based on their fair values. Expected earnings after contributory charges and income taxes are discounted by the appropriate after-tax discount rate to arrive at the fair value.

Intangible assets—software
For internally generated software, research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate

- The technical feasibility of completing the intangible asset so that it will be available for use
- Its intention to complete and its ability to use the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to reliably measure the expenditure during development

Following the initial recognition of the development expenditure as an asset, it is carried at cost less any accumulated amortization and any impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. The Company amortizes certain purchased and internally generated software on a straight-line basis over periods ranging from three to seven years.

d) Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date. A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability, achieving a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statements of income.

Leased assets are depreciated over their useful lives. However, if there is no reasonable certainty that the Company will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of its estimated useful life and the lease term. The Company's finance leases are for certain office and automotive equipment and are depreciated on a 20%-to-30% declining balance basis. The Company also has finance leases for software.

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 terms.

e) Investments in joint arrangements and associates
The Company has joint arrangements, which are classified as either a joint venture or joint operation based on the rights and obligations arising from the contractual obligations between the parties to the arrangement. Joint arrangements that provide the Company with rights to the net assets of the arrangement are classified as joint ventures, and joint arrangements that provide the Company with rights to the individual assets and obligations arising from the arrangement are classified as joint operations.

The Company accounts for its joint ventures using the equity method, as described below. The Company accounts for its joint operations by recognizing its share of assets, liabilities, revenues, and expenses of the joint operation and combining them line by line with similar items in the Company's consolidated financial statements.

Investments in associated companies, over which the Company is able to exercise significant influence, but not control, are accounted for using the equity method, which reflects the Company's investment at original cost plus postacquisition changes in the Company's share of the net assets of the associate. The share of the profit of associates is recorded in the consolidated statements of income. Since this is profit attributable to the equity holders of the associate, it is profit after tax. Adjustments are made in the Company's consolidated financial statements to eliminate its share of unrealized gains and losses resulting from transactions with its associates.

If the financial statements of the associates or joint arrangements are prepared for a different date from those of the Company, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements. Where necessary, adjustments are made to bring the accounting policies in line with the Company's.

f) Investments held for self-insured liabilities
In other financial assets, the Company has investments held for self-insured liabilities that are categorized as available for sale and are recorded at fair value with associated unrealized gains or losses reported in other comprehensive income until disposed of, at which time realized gains or losses are recognized in income. These investments consist of government and corporate bonds, equity securities, and term deposits.

g) Provisions
General
Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed—for example, under an insurance contract—and when the reimbursement is virtually certain, the reimbursement is recognized as a separate asset. The expense relating to any provision is presented in the consolidated statements of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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

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

Provisions for claims
The Company has claims that are not covered by its provisions for self-insurance, including claims that are subject to exclusions under the Company's commercial and captive insurance policies. Provisions are recognized for these claims in accordance with the above general description of provisions.

Contingent liabilities recognized in a business combination
A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured in accordance with the above general description of provisions.

Onerous contracts
The Company's onerous contracts consist of lease exit liabilities and sublease losses. With regards to lease exit liabilities, the Company accrues charges when it ceases to use office space under an operating lease arrangement. Included in the liability is the present value of the remaining lease payments. As well, an asset is accrued in the consolidated statements of financial position as an other financial asset if it is virtually certain that sublease rental will be obtained for the office space that the Company ceases to use. The asset is measured using the present value of the future rental income to the extent of the present value of the lease liability.

With regards to sublease losses, from time to time, the Company may sublet a portion of an office space under an operating lease arrangement. The Company accrues a liability and asset if the costs to be incurred under an operating lease are to exceed the anticipated revenue on the sublease. Included in the liability is the present value of the remaining lease payments. Included in the asset is the present value of the future rental income.

h) Foreign currency translation
The Company's consolidated financial statements are presented in Canadian dollars, which is also the parent Company's functional currency. Each entity in the Company determines its own functional currency, and items

included in the financial statements of each entity are measured using that functional currency. For example, the functional currency of the Company's US-based subsidiaries is the US dollar.

Transactions and balances
Transactions in foreign currencies (i.e., different than an entity's functional currency) are initially translated into the functional currency of entities using the foreign exchange rate at the transaction date. Subsequent to the transaction date, foreign currency transactions are measured as follows:

- On the statements of financial position, monetary items are translated at the rate of exchange in effect at the reporting date. Non-monetary items at cost are translated at historical exchange rates. Non-monetary items at fair value are translated at rates in effect at the date the fair value is determined. Any resulting realized and unrealized foreign exchange gains or losses are included in income in the period incurred. The exception is unrealized foreign exchange gains and losses on non-monetary investments (i.e., equity investments) classified as available for sale, which are included in accumulated other comprehensive income.

- Revenue and expense items are translated at the average exchange rate for the year with the exception of depreciation and amortization, which are translated at historical exchange rates.

Foreign operations
The Company's foreign operations are translated into its reporting currency (Canadian dollar) as follows: assets and liabilities are translated at the rate of exchange in effect at each consolidated statement of financial position date, and revenue and expense items (including depreciation and amortization) are translated at the average rate of exchange for the month. The resulting unrealized exchange gains and losses on foreign subsidiaries are recognized in accumulated other comprehensive income.

i) Financial instruments
Initial recognition and subsequent measurement
The Company classifies its financial instruments as follows:

- Cash and cash equivalents are classified as financial assets at fair value through profit and loss (FVPL) and are recorded at fair value, with realized and unrealized gains and losses reported in income.

- Trade and other receivables are classified as receivables and are initially accounted for at fair value and subsequently adjusted for any allowance for doubtful accounts, with allowances reported in administrative and marketing expenses.

- Investments held for self-insured liabilities, consisting of bonds, equity securities, and term deposits are classified as financial assets available for sale and are recorded at fair value, with accumulated unrealized gains and losses reported in other comprehensive income until disposed of, at which time the realized gains and losses are recognized in other income for equity securities and in net finance income for bonds and term deposits. Interest income is recorded in net finance income, and dividends are recorded in other income.

- Trade and other payables are classified as other financial liabilities and are recorded at fair value and subsequently recorded at amortized cost using the effective interest rate (EIR) method, with realized gains and losses reported in income. The EIR method discounts estimated future cash payments or receipts through the expected life of a financial instrument, thereby calculating the amortized cost and subsequently allocating the interest income or expense over the life of the instrument.

- Long-term debts, including non-interest-bearing debts, are classified as loans and borrowings and are initially recorded at fair value and subsequently recorded at amortized cost using the EIR method, with the EIR amortization and realized gains and losses reported in net finance income.

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

Subsequent to initial recognition, the fair values of financial instruments are based on the bid prices in quoted active markets for financial assets and on the ask prices for financial liabilities. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models. The fair values of the Company's derivatives are based on third-party indicators and forecasts. The fair values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their carrying amounts because of the short-term maturity of these instruments. The carrying amount of bank loans approximates their fair value because the applicable interest rate is based on variable reference rates. The carrying amounts of other financial assets and financial liabilities approximate their fair values except as otherwise disclosed in the consolidated financial statements.

Derivatives
From time to time, the Company enters into foreign currency forward contracts to manage risk associated with net operating assets denominated in US dollars and British pounds. The Company's policy is not to use these derivatives for trading or speculative purposes. During 2013, the Company entered into immaterial foreign currency forward contracts. The Company did not enter into any foreign currency forward contracts in 2012.

j) Impairment
The carrying amounts of the Company's assets or group of assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is an indication of impairment. An asset may be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (i.e., an incurred "loss event") and if that loss event has an impact on the estimated future cash flows of the financial asset. If an indication of impairment exists or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated.

Trade and other receivables
The Company maintains an allowance for doubtful accounts on trade receivables. The estimate is based on the best assessment of the collectibility of the related receivable balance based in part on the age of the outstanding receivables and on the Company's historical collection and loss experience. When the carrying amount of the receivable is reduced through the allowance, the reduction is recognized in administrative and marketing expenses in the consolidated statements of income.

Non-financial assets
For non-financial assets such as property and equipment, goodwill, investments in joint ventures and associates, and intangible assets, the recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. The results of these valuation techniques are corroborated by quoted share prices for comparable publicly traded companies or other available fair value indicators. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the nature of the impaired asset.

Goodwill is not amortized but is evaluated for impairment annually (as at October 1) or more frequently if circumstances indicate that an impairment may occur or if a significant acquisition occurs between the annual impairment date and December 31. The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. Impairment is determined by assessing the recoverable amount of each CGU to which the goodwill relates. The Company's CGUs for goodwill impairment testing are Canada, the United States, and International. Where the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognized.

An impairment loss of goodwill is not reversed. For other assets, an impairment loss may be reversed if the estimates used to determine the recoverable amount have changed. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income.

Available-for-sale financial investments
For equity investments classified as available for sale, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognized in the consolidated statements of income. Impairment losses on equity investments are not reversed through the consolidated statements of income; increases in their fair value after impairment are recognized directly in other comprehensive income.

For debt instruments classified as available for sale, the Company first assesses individually whether objective evidence of impairment exists for debt instruments that are individually significant or collectively for debt instruments that are not individually significant. If an impairment loss has occurred, the amount recorded is the cumulative loss, measured as the difference between the amortized cost and the current fair value, less any previously recognized impairment loss. This amount is removed from other comprehensive income and recognized in the consolidated statements of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset applying the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If the fair value of a debt instrument increases in a subsequent year and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed in the consolidated statements of income.

k) 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. Therefore, the Company also reports net revenue, which is gross revenue less subconsultant and other direct expenses.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, duty, and taxes collected from clients that are reimbursable to government authorities. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized by reference to the stage of completion using the revenue cost approach. Stage of completion is measured using labor costs incurred to date as a percentage of total estimated labor costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Provisions for estimated losses on incomplete contracts are made in the period in which the losses are determined. Revenue from time-and-material contracts without stated ceilings and from short-term projects is recognized as costs are incurred. Revenue is calculated based on billing rates for the services performed.

Unbilled revenue represents work in progress that has been recognized as revenue but not yet invoiced to clients. Billings in excess of costs represents amounts that have been invoiced to clients but not yet recognized as revenue.

l) Employee benefit plans

The Company contributes to group retirement savings plans and an employee share purchase plan based on the amount of employee contributions subject to maximum limits per employee. The Company accounts for defined contributions as an expense in the period in which the contributions are made. The Company does not provide postemployment or postretirement benefits.

m) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax, relating to items recognized directly in equity, is recognized in equity and not in the consolidated statements of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes an uncertain tax liability where appropriate.

Deferred tax

Deferred tax is determined using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred taxes are not recognized for the initial recognition of goodwill; the initial recognition of assets or liabilities, outside of a business combination, that affect neither accounting nor taxable profit; or the differences relating to investments in subsidiaries, associates, and interests in joint ventures to the extent that the reversal can be controlled and it is probable that it will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled and are based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized in equity is also recognized in equity. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax
Revenues, expenses, and assets, except trade receivables, are recognized net of the amount of sales tax recoverable from, or payable to, a taxation authority. Trade receivables and trade payables include sales tax. The net amount of sales tax recoverable from, or payable to, a taxation authority is included as part of trade receivables or trade payables (as appropriate) in the consolidated statements of financial position.

n) Share-based payment transactions
Under the Company's share option plan, the board of directors may grant to officers and employees remuneration in the form of share-based payment transactions, whereby officers and employees render services as consideration for equity instruments (i.e. equity-settled transactions).

Under the Company's deferred share unit plan, the chief executive officer and directors of the board of the Company may receive deferred share units equal to one common share. Under the Company's restricted share unit plan, senior vice presidents are granted share units that are to be settled after a two-year period. The deferred share units and restricted share units are share appreciation rights that can be settled only in cash (i.e. cash-settled transactions).

Equity-settled transactions
The cost of equity-settled transactions awards is measured by reference to the fair value at the grant date using a Black-Scholes option-pricing model. The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the service conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit to income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recorded in administrative and marketing expenses. No expense is recognized for awards that do not ultimately vest.

Cash-settled transactions
The cost of cash-settled transactions is measured initially at fair value at the grant date using a Black-Scholes option-pricing model. This fair value is expensed upon issue with the recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date, up to and including the settlement date, with changes in fair value recognized in administrative and marketing expenses.

o) Earnings per share
Basic earnings per share is computed based on the weighted average number of common shares outstanding during the period. 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 period and that the difference between the number of shares issued on the exercise of options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding. Antidilutive options are not considered in computing diluted earnings per share.

p) Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the consideration transferred at fair value at the acquisition date. Any contingent consideration to be transferred by

the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in other income. If the business combination is achieved in stages, the acquisition-date fair value of the Company's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through income. Acquisition costs are expensed when incurred in administrative and marketing expenses.

Goodwill is initially measured at cost, which is the excess of the consideration transferred over the Company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs (Canada, United States, and International) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

q) Dividends
Dividends on common shares are recognized in the Company's consolidated financial statements in the period the dividends are approved by the Company's board of directors.

5. Significant Accounting Judgments, Estimates, and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, as well as the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key management judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Revenue recognition
The Company accounts for its revenue in accordance with IAS 11 *Construction Contracts*, which requires estimates to be made for contract costs and revenues. Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method based on the ratio of labor costs incurred to total estimated labor costs. Estimating total direct labor costs is subjective and requires the use of management's best judgments based on the information available at that time. The Company also provides for estimated losses on incomplete contracts in the period in which such losses are determined. Changes in the estimates are reflected in the period in which they are made and would affect the Company's revenue and unbilled revenue.

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

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

d) Share-based payment transactions
The Company measures the cost of share-based payment transactions by reference to the fair value of the equity instruments at the date they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The Company has chosen the Black-Scholes option-pricing model for equity-settled and cash-settled share-based payment transactions. This estimate also requires determining the most appropriate inputs to the valuation model, including volatility in the price of the Company's shares, a risk-free interest rate, and the expected hold period to exercise, and making assumptions about them. The expected volatility is based on the historical volatility of the Company's shares over a period commensurate with the expected term of the share option. The risk-free interest rate for the expected life of the options is based on the yield available on government bonds, with an approximate equivalent remaining term at the time of the grant. Historical data is used to estimate the expected life of the option. As well, the Company estimates its forfeiture rate for equity-settled transactions based on historical experience in order to determine the compensation expense arising from the share-based awards.

e) Business combinations
In a business combination, the Company may acquire the assets and assume certain liabilities of an acquired entity. The estimate of fair values for these transactions involves judgment in determining the fair values assigned to the tangible and intangible assets (i.e., backlog, client relationships, and favorable and unfavorable leases) acquired and the liabilities assumed on the acquisition. Determining fair values involves a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples.

f) Impairment of non-financial assets
Impairment exists when the carrying amount of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is based on available data from binding sales transactions in an arm's-length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. In the absence of such data, other valuation techniques can be used to estimate fair value less costs to sell. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from budgets over an appropriate number of years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

The recoverable amount, when based on a discounted cash flow methodology, is most sensitive to the discount rate used, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. To arrive at cash flow projections, the Company uses estimates of economic and market information over the projection period, including growth rates in revenues, estimates of future expected changes in operating margins, and cash expenditures. Other significant estimates and assumptions include future estimates of capital expenditures and changes in future working capital requirements.

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

h) Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of deferred taxable income. The Company's income tax assets and liabilities are based on interpretations of income tax legislation across various jurisdictions, primarily in Canada and the United States. The Company's effective tax rate can change from year to year based on the mix of income among different jurisdictions, changes in tax laws in these jurisdictions, and changes in the estimated value of deferred tax assets and liabilities. The Company's income tax expense reflects an estimate of the cash taxes it expects to pay for the current year, as well as a

provision for changes arising in the values of deferred tax assets and liabilities during the year. The tax value of these assets and liabilities is impacted by factors such as accounting estimates inherent in these balances, management's expectations about future operating results, previous tax audits, and differing interpretations of tax regulations by the taxable entity and the responsible tax authorities. Such differences in interpretation may arise for a wide variety of issues, depending on the conditions prevailing in the respective legal entity's domicile. Management assesses the likelihood of recovering value from deferred tax assets, such as loss carryforwards, on a regular basis, as well as the deferred tax depreciation of capital assets, and adjusts the tax provision accordingly.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based on the likely timing and the level of future taxable profits, together with future tax-planning strategies.

i) Interests in other entities
The Company determines whether it has control over another entity by making judgments about what the relevant activities of that entity are and which party or parties have power to direct those activities, as well as whether or not the Company is exposed to variable returns of the entity. The Company assesses whether it has control, significant influence, or joint control over an entity based on the individual facts and circumstances of each agreement. In the case of a joint arrangement, the Company makes judgments to determine if the arrangement is a joint venture or joint operation, including if it has rights to the individual assets or liabilities, or to the net assets of the entity, and whether unanimous consent is required in making decisions about relevant activities.

6. Recent Accounting Pronouncements and Changes to Accounting Policies

Recently adopted

Effective January 1, 2013, the Company adopted the following standards and amendments:

- IFRS 7 *Financial Instruments: Disclosures* (IFRS 7) – offsetting financial assets and liabilities *(amended)*
- IFRS 10 *Consolidated Financial Statements* (IFRS 10)
- IFRS 11 *Joint Arrangements* (IFRS 11)
- IFRS 12 *Disclosure of Interests in Other Entities* (IFRS 12)
- IFRS 13 *Fair Value Measurement* (IFRS 13)
- IAS 1 *Presentation of Financial Statements* (IAS 1) *(amended)*
- IAS 19 *Employee Benefits* (IAS 19) *(amended)*
- IAS 27 *Separate Financial Statements* (IAS 27) *(amended)*
- IAS 28 *Investments in Associates and Joint Ventures* (IAS 28) *(amended)*
- Annual Improvements (2009–2011 Cycle)

Amendments to IAS 19
Amendments to this standard require termination benefits outside of a wider restructuring to be recognized only when the offer becomes legally binding and cannot be withdrawn. In the context of a wider restructuring, termination benefits are recognized at the same time as other restructuring costs.

Amendments to IAS 27
The amended standard contains accounting and disclosure requirements for investments in subsidiaries, joint ventures, and associates when the entity prepares separate financial statements. The consolidation portion of this standard was removed upon amendment due to the issuance of IFRS 10.

Amendments to IAS 28
The amended standard sets out the accounting for investments in associates and the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Amendments to IFRS 7
Amendments to this standard require disclosure of information that will allow financial statement users to assess the impact of an entity's netting arrangements, including rights of set-off associated with an entity's recognized financial assets and liabilities on the entity's statement of financial position.

Annual Improvements (2009–2011 Cycle)
The IASB issued Annual Improvements (2009–2011 Cycle) to make necessary but non-urgent amendments to the following: IFRS 1 *First-time Adoption of IFRS* (IFRS 1)*;* IAS 1 *Presentation of Financial Statements*; IAS 16 *Property, Plant, and Equipment* (IAS 16); IAS 32 *Financial Instruments: Presentation*; and IAS 34 *Interim Financial Reporting*.

The impact of adopting the amendments to IAS 19, 27, and 28, IFRS 7, and the Annual Improvements (2009–2011 Cycle) did not have a material impact on the financial position or performance of the Company.

The Company applied, for the first time, IFRS 10 and 11, which required retrospective restatement of previous financial statements. IFRS 12 and 13 and amendments to IAS 1 did not have a material impact on the financial position or performance of the Company; however, their adoption resulted in additional disclosure. The nature and effect of IFRS 10, 11, 12, and 13, and the amendments to IAS 1 are disclosed below.

IFRS 10
IFRS 10 establishes a single control model that applies to all entities, including structured entities (formerly called special purpose entities). IFRS 10 changes the definition of control such that the Company determines whether it has control over another entity by making judgments about what the relevant activities of the entity are and which party or parties have the power to direct those activities, as well as whether or not the Company is exposed to variable returns of the entity and can use its power to influence the variable returns. In the case of joint arrangements, the Company makes judgments to determine if joint control exists by reviewing whether unanimous consent is required to make decisions about relevant activities.

As a result of adopting IFRS 10, the Company reviewed its agreements of interests in other entities to determine whether the Company had control, joint control, or significant influence over each entity as at January 1, 2013, as defined in IFRS 10. The adoption of the new control concept did not result in a material change to the consolidation conclusion for the Company's subsidiaries or structured entities, but did result in classification changes to certain associated entities and investments in joint arrangements.

IFRS 11
Under IFRS 11, joint arrangements must be classified as either joint ventures or joint operations. The Company makes judgments to determine if an arrangement is a joint venture or joint operation, which are based on the rights and obligations arising from the contractual arrangement between the parties. Joint arrangements that provide the Company with rights to the net assets of the arrangement are classified as joint ventures, and joint arrangements that provide the Company with rights to the individual assets and obligations arising from the arrangement are classified as joint operations.

The Company is no longer permitted to account for joint ventures using proportionate consolidation. Instead, joint ventures must be accounted for using the equity method. Investments in associates continue to be accounted for using the equity method. The equity method of accounting did not change from the description provided in the Company's significant accounting policies. If a joint arrangement is classified as a joint operation, the Company recognizes its share of assets, liabilities, revenues, and expenses of the joint operation, combining them line by line with similar items in the Company's consolidated financial statements.

Restatement of comparative figures
As a result of the retrospective application of IFRS 10 and 11 and amendments to IAS 27 and 28, certain line items in the Company's consolidated financial statements were restated. In particular, proportionate consolidation was removed, and after completing a review of the Company's joint arrangements, certain entities were categorized as

joint ventures, joint operations, or associates, and the applicable accounting method was applied. The adoption of these standards had an immaterial impact on the Company's January 1, 2012, and December 31, 2012, consolidated statements of financial position, as well as an immaterial impact on its 2012 retained earnings, basic and diluted earnings per share, and on its operating, investing, and financing cash flows.

The following table summarizes the adjustments made to the Company's consolidated statements of income for the year ended December 31, 2012:

	For the year ended December 31, 2012		
(In thousands of Canadian dollars)	**As Previously Reported $**	**Adjustments $**	**As Restated $**
Gross revenue	1,882,900	(12,641)	1,870,259
Subconsultant and other direct expenses	326,506	(10,061)	316,445
Net revenue	1,556,394	(2,580)	1,553,814
Direct payroll costs	700,853	(1,196)	699,657
Gross margin	855,541	(1,384)	854,157
Administrative and marketing expenses	633,171	(1,085)	632,086
Depreciation of property and equipment	27,875	(26)	27,849
Net interest expense	8,658	23	8,681
Share of income from joint ventures and associates	(1,765)	(261)	(2,026)
Income taxes – current	44,661	(145)	44,516
Income taxes – deferred	(1,070)	(7)	(1,077)
Overall impact on net income for the year		117	

IFRS 12
IFRS 12 sets out the requirements for disclosure relating to an entity's interest in subsidiaries, joint arrangements, associates, and structured entities (note 13).

IFRS 13
IFRS 13 establishes a single source of guidance under IFRS for all fair-value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. Its application did not have a material impact on the fair value measurements carried out by the Company. IFRS 13 requires specific disclosures on fair values; some of these replace existing disclosure requirements in other standards (note 22). Since IFRS 13 is applied prospectively, comparative disclosures for prior periods are not required.

Amendments to IAS 1
Amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the financial position or performance of the Company.

Future adoptions

The listing below includes issued standards, amendments, and interpretations that the Company reasonably expects to be applicable at a future date and intends to adopt when they become effective. Unless otherwise noted, retrospective application is required and early adoption permitted. Unless otherwise noted, the Company is

currently considering the impact of adopting these standards and interpretations on its consolidated financial statements and cannot reasonably estimate the effect at this time.

Financial instruments

IFRS 9 *Financial Instruments* (IFRS 9) is being issued in three phases that, when complete, will replace the existing standard, IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). The three phases are: Classification and Measurement, Impairment, and Hedge Accounting.

— In November 2009, the first version of IFRS 9 included classification and measurement requirements for financial assets. It replaced multiple models with a single model that has only two classification categories: amortized cost and fair value.

— In October 2010, a revised version of IFRS 9 included classification and measurement requirements for financial liabilities and requirements for the derecognition of financial assets and financial liabilities. It requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, instead of in profit or loss.

— In December 2011, limited amendments were made to IFRS 9.

— In November 2013, a revised version of IFRS 9 included new hedge accounting requirements with the aim of better reflecting an entity's risk management activities in their financial statements. In addition, it requires that changes in the fair value of an entity's own debt caused by changes in its own credit quality be recognized in other comprehensive income and not in profit or loss.

IFRS 9 is currently available for adoption. There is no required effective date as further amendments are expected to be made to the classification and measurement requirements and to the impairment model before a final standard is issued. Once a final version of IFRS 9 is available, a mandatory effective date will be set.

Financial instruments: Presentation

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

Recoverable amount disclosures

In May 2013, the IASB issued amendments to IAS 36 *Impairment of Assets* (IAS 36) – *Recoverable Amount Disclosures for Non-Financial Assets*. These amendments clarify that an entity is required to disclose information about the recoverable amount of an impaired asset (including goodwill or a CGU) if the recoverable amount is based on the fair value less cost to sell methodology. The amendment also sets out other disclosure requirements for non-financial assets. The amendments to IAS 36 are applicable for annual periods beginning on or after January 1, 2014.

Annual improvements to IFRSs

In December 2013, the IASB issued Annual Improvements (2010–2012 Cycle) to make necessary but non-urgent amendments to the following: IFRS 2 *Share-based Payment*; IFRS 3 *Business Combinations* (IFRS 3); IFRS 8 *Operating Segments*; IFRS 13; IAS 16; IAS 24 *Related Party Disclosures*; and IAS 38 *Intangible Assets*. These amendments are required to be applied prospectively for annual periods beginning on or after July 1, 2014, except for the amendment to IFRS 13 that affects only the Basis for Conclusions and is therefore effective immediately.

In December 2013, the IASB also issued Annual Improvements (2011–2013 Cycle) to make necessary but non-urgent amendments to the following: IFRS 1; IFRS 3; IFRS 13; and IAS 40 *Investment Property*. These amendments are required to be applied prospectively for annual periods beginning on or after July 1, 2014, except for the amendment to IFRS 1 that affects only the Basis for Conclusions and is therefore effective immediately.

7. Business Acquisitions

Acquisitions are accounted for under the acquisition method of accounting, and the results of operations since the respective dates of acquisition are included in the consolidated statements of income. From time to time, as a result of the timing of acquisitions in relation to the Company's reporting schedule, certain estimates of fair values of assets and liabilities acquired may not be finalized at the initial time of reporting. These estimates are completed after the vendors' final financial statements and income tax returns have been prepared and accepted by the Company and when the valuation of intangible assets acquired is finalized. The preliminary fair values are based on management's best estimates of the acquired identifiable assets and liabilities at the acquisition date. During a measurement period not to exceed one year, adjustments to the initial estimates may be required to finalize the fair value of assets and liabilities acquired. The Company will revise comparative information if these measurement period adjustments are material.

The consideration paid for acquisitions may be subject to price adjustment clauses included in the purchase agreements and may extend over a number of years. At each consolidated statement of financial position date, these price adjustment clauses are reviewed, which may result in an increase in or reduction to the notes payable consideration (recorded on the acquisition date) to reflect either more or less non-cash working capital than was originally recorded. Since these adjustments are a result of facts and circumstances occurring after the acquisition date, they are not considered measurement period adjustments.

In addition, consideration specified in certain purchase agreements may be based on future performance parameters. This contingent consideration is recognized at its fair value at the acquisition date. Any changes to the fair value after the acquisition date are recorded in other expense (income).

For some acquisitions, additional payments may be made to the employees of an acquired company that are based on the employees' continued service over an agreed period of time. These additional payments are not included in the purchase price. They are expensed as compensation when services are provided by the employees.

Acquisitions in 2013

On May 31, 2013, the Company acquired certain assets and liabilities, and the business of IBE Consulting Engineers, Inc. (IBE) for cash consideration and notes payable. Based in Sherman Oaks, California, IBE specializes in high-performance, sustainable design of mechanical, electrical, and plumbing systems for education, healthcare, commercial, cultural, and government facilities. IBE's capabilities enhance the Company's buildings engineering presence on the US West Coast.

On May 31, 2013, the Company acquired certain assets and liabilities, and the business of Ashley-Pryce Interior Designers Inc. (AP/ID) for cash consideration and promissory notes. Based in Vancouver, British Columbia, AP/ID is known for its corporate office consulting and strategic workplace planning services. AP/ID provides full interior design services to a variety of clients, from law firms and government agencies to banks and mining companies. The addition of AP/ID enhances the Company's interior design presence in British Columbia.

On June 28, 2013, the Company acquired certain assets and liabilities, and the business of Roth Hill, LLC (Roth Hill) for cash consideration and notes payable. Based in Bellevue, Washington, Roth Hill is a civil engineering firm with expertise in infrastructure design and an extensive project portfolio designing systems for every facet of collection, distribution, and treatment of water and wastewater. Roth Hill expands the Company's water and wastewater capabilities in the Pacific Northwest.

On November 1, 2013, the Company acquired certain assets and liabilities, and the business of JDA Architects Limited (JDA) for cash consideration and promissory notes. Based in Halifax, Nova Scotia, JDA provides architectural design services for public safety, healthcare, industrial, and commercial buildings. The addition of JDA complements the Company's existing presence in Atlantic Canada.

On November 29, 2013, the Company acquired certain assets and liabilities, and the business of Cambria Gordon Ltd. (CGL) for cash consideration and notes payable. Based in Terrace, British Columbia, CGL provides environmental management services to industry, government, and First Nations. The addition of CGL expands the Company's environmental services in northwest British Columbia.

Acquisitions in 2012

On May 18, 2012, the Company acquired certain assets and liabilities, and the business of PHB Group Inc. (PHB) for cash consideration and notes payable. Based in St. John's, Newfoundland and Labrador, PHB provides architecture and interior design services and offers a full range of pre-design services, such as site-selection studies, life safety studies, building condition reports, feasibility studies, master planning, programming, and project management services. PHB's architectural services complemented the Company's existing Buildings Engineering, Geotechnical Engineering, and Environmental Services practices in Newfoundland and Labrador.

On May 25, 2012, the Company acquired all the shares and business of ABMB Engineers, Inc. (ABMB) for cash consideration and promissory notes. ABMB is based in Baton Rouge, Louisiana, and also has offices in Jackson, Vicksburg, and Madison, Mississippi; and New Orleans, Louisiana. ABMB provides transportation and infrastructure engineering services to a variety of clients. The addition of ABMB grew the Company's Transportation practice in the US Southeast, while providing a new presence for the Company in Mississippi.

On August 24, 2012, the Company acquired all the shares and business of Cimarron Engineering Ltd. (Cimarron) for cash consideration and notes payable. Based in Calgary, Alberta, with an additional office in Edmonton, Alberta, Cimarron specializes in the development, design, installation, and integrity maintenance of oil and gas pipeline systems and station facilities, with a focus on upstream and transmission applications. Cimarron also has a power division that specializes in designing medium- to high-voltage electrical systems for utility and oil and gas clients. The addition of Cimarron enhanced the Company's Oil and Gas and Power practices throughout North America.

On November 30, 2012, the Company acquired the net assets and business of Corzo Castella Carballo Thompson Salman, P.A. (C3TS) for cash consideration and notes payable. C3TS is headquartered in Coral Gables, Florida, and has offices in Fort Lauderdale, Boca Raton, West Palm Beach, and Orlando, Florida. C3TS provides transportation and civil engineering, architecture, and environmental engineering services to major transportation agencies, municipalities, and educational institutions across Florida. The firm's capabilities augmented the Company's multidiscipline engineering and environmental services in Florida and the southeastern United States.

On November 30, 2012, the Company acquired certain assets and liabilities, and the business of Architecture 2000 Inc. for cash consideration and notes payable. Based in Moncton, New Brunswick, Architecture 2000 Inc. is an architecture, interior design, master/urban planning, and project management firm. The addition of Architecture 2000 Inc. augmented the Company's Canadian architecture presence and diversified its existing presence in Atlantic Canada.

On December 14, 2012, the Company acquired all the shares and business of Greenhorne & O'Mara, Inc. (G&O) for cash consideration and notes payable. G&O is headquartered in Laurel, Maryland, and has offices in several states, including Maryland, Virginia, West Virginia, Ohio, North Carolina, Pennsylvania, and Florida. G&O is a transportation, environment, and infrastructure and design firm. The G&O addition complemented the Company's existing presence in the US East.

On December 14, 2012, the Company acquired certain assets and liabilities, and the business of Landmark Survey and Mapping, Inc. (LSM) for cash consideration and notes payable. LSM is a survey and mapping firm located in Pennsylvania, specializing in serving the energy industry and with particular expertise in oil and gas, power, and coal. The addition of LSM bolstered the Company's emerging oil and gas presence in the region.

During 2013, the Company finalized the estimated fair value of assets acquired and liabilities assumed for the PHB, ABMB, Cimarron, C3TS, Architecture 2000 Inc., G&O, LSM, AP/ID, and Roth Hill acquisitions. The Company expects to finalize the estimated fair value of assets acquired and liabilities assumed for the IBE, JDA, and CGL acquisitions in the first quarter of 2014.

Aggregate consideration for assets acquired and liabilities assumed

Details of the aggregate consideration transferred and the fair value of the identifiable assets and liabilities acquired at the date of acquisition are as follows:

(In thousands of Canadian dollars)	Notes	**Total 2013 $**	Total 2012 $
Cash consideration		**6,286**	52,766
Notes payable		**5,158**	49,378
Consideration		**11,444**	102,144
Assets and liabilities acquired			
Cash acquired		**-**	2,915
Bank indebtedness assumed		**-**	(2,720)
Non-cash working capital		**(462)**	35,395
Property and equipment	10	**792**	6,542
Investments		**-**	2
Other financial assets		**-**	817
Intangible assets	12		
Client relationships		**3,329**	12,995
Contract backlog		**761**	5,854
Lease disadvantages		**(13)**	(1,353)
Software		**-**	290
Other		**319**	1,431
Provisions	17	**-**	(1,291)
Other liabilities		**1,994**	(2,189)
Long-term debt		**(401)**	(12,984)
Deferred income taxes	25	**(2,398)**	(7,034)
Total identifiable net assets at fair value		**3,921**	38,670
Goodwill arising on acquisitions	11	**7,523**	63,474
Consideration		**11,444**	102,144

Trade receivables assumed from acquired companies are recognized at their fair value at the time of acquisition. In 2013, no trade receivables were acquired. The trade receivables acquired in fiscal 2012 had a fair value of $35,376,000 and gross value of $37,451,000.

Goodwill comprises the value of expected synergies arising from an acquisition, the expertise and reputation of the assembled workforce acquired, and the geographic location of the acquiree. Of the goodwill and intangible assets resulting from acquisitions completed in 2013, $9,998,000 (2012 – $25,322,000) is deductible for income tax purposes.

The fair value of provisions are determined at the acquisition date. These liabilities relate to claims that are subject to legal arbitration and lease exit liabilities. During 2013, the Company did not assume any provisions for claims relating to current year acquisitions (2012 – $882,000). As at the reporting date, provisions for claims outstanding from prior acquisitions were reassessed and determined to be $4,865,000 based on their expected probable outcome. Certain of these claims are indemnified by the acquiree (note 14). The Company did not acquire any indemnification assets in the current year.

For business combinations that occurred in 2013, the Company estimates that gross revenue earned in 2013, since the acquired entities' acquisition dates, is $6,843,000. For business combinations that occurred in 2012, the Company estimates that gross revenues, earned in fiscal year 2012, since the acquired entities' acquisition dates, is $41,816,000. The Company integrates the operations and systems of acquired entities shortly after the acquisition date; therefore, it is impracticable for the Company to disclose the acquiree's earnings in its consolidated financial statements since the acquisition date.

If the business combinations that occurred in 2013 had taken place at the beginning of 2013, gross revenue from continuing operations for the year ended December 31, 2013, would have been $2,250,105,000 and the profit from continuing operations for the Company would have been $147,548,000. If the business combinations that occurred in 2012 had taken place at the beginning of 2012, gross revenue from continuing operations for the fiscal year 2012 would have been $2,017,557,000 and the profit from continuing operations for the Company would have been $123,583,000.

In 2013, directly attributable acquisition-related costs of $936,000 (2012 – $512,000) have been expensed and are included in administrative and marketing expenses.

Consideration paid and outstanding

Details of the consideration paid for current and past acquisitions are as follows:

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
Cash consideration (net of cash acquired)	**6,286**	49,851
Payments on notes payable from previous acquisitions	**37,253**	52,168
Total net cash paid	**43,539**	102,019

The total notes payable and adjustments to these obligations are as follows:

(In thousands of Canadian dollars)	**Notes Payable $**
December 31, 2011	82,355
Additions for acquisitions in the year	49,378
Other adjustments	70
Payments	(52,168)
Interest	543
Impact of foreign exchange	(620)
December 31, 2012	79,558
Additions for acquisitions in the year	**5,158**
Other adjustments	**2,068**
Payments	**(37,253)**
Interest	**675**
Impact of foreign exchange	**2,426**
December 31, 2013	**52,632**

During 2013, pursuant to price adjustment clauses included in the purchase agreements, the Company adjusted the notes payable for the following acquisitions: Tetr*ES* Consultants Inc; Natural Resources Consulting, Inc.; WilsonMiller Inc.; Anshen & Allen Architecture, Inc (Anshen + Allen); Burt Hill Inc.; QuadraTec, Inc.; Caltech Group; Bonestroo, Inc. and Bonestroo Services, LLC (Bonestroo); FSC Architects and Engineers (FSC); ENTRAN, Inc.; ABMB; Cimarron; C3TS; Architecture 2000 Inc.; G&O; and Roth Hill. These adjustments impacted non-cash working capital.

During 2012, pursuant to price adjustment clauses in the purchase agreements, the Company adjusted the notes payable for the following acquisitions: Jacques Whitford Group Ltd. and Jacques Whitford Global Group Limited; WilsonMiller Inc.; Anshen + Allen; ECO:LOGIC Engineering; Street Smarts, Inc. and Data Smarts, LLC; Burt Hill Inc.; QuadraTec, Inc.; Caltech Group; Bonestroo; FSC; ENTRAN, Inc.; ABMB; PHB; Cimarron; and LSM. These adjustments impacted non-cash working capital.

8. Cash and Cash Equivalents

The Company's policy is to invest cash in excess of operating requirements in highly liquid investments. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of the following:

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
		(Restated)
Cash	**140,267**	38,398
Unrestricted investments	**2,289**	625
Cash held in escrow	**474**	1,685
Cash and cash equivalents	**143,030**	40,708

Unrestricted investments consist of short-term bank deposits with initial maturities of three months or less.

As part of the G&O acquisition (note 7), $1,685,000 (US$1,693,000) was placed in an escrow account and a portion of this amount was settled in 2013. The remaining $474,000 (US$446,000) will be settled based on the outcome of price adjustment clauses included in the purchase agreement. A corresponding obligation was also recorded on acquisition and is included in other notes payable.

9. Trade and Other Receivables

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
		(Restated)
Trade receivables, net of allowance	**376,159**	348,301
Holdbacks, current	**3,423**	4,433
Other	**5,325**	717
Trade and other receivables	**384,907**	353,451

The Company maintains an allowance for estimated losses on trade receivables. The estimate is based on the best assessment of the collectibility of the related receivable balance determined, in part, on the age of the outstanding receivables and on the Company's historical collection and loss experience.

The following table provides a reconciliation of changes to the Company's allowance for doubtful accounts.

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
		(Restated)
Balance, beginning of the year	**16,551**	11,969
Provision for doubtful accounts	**6,336**	7,209
Deductions	**(3,978)**	(2,498)
Impact of foreign exchange	**407**	(129)
Balance, end of the year	**19,316**	16,551

The aging analysis of gross trade receivables is as follows:

(In thousands of Canadian dollars)	Total $	1–30 $	31–60 $	61–90 $	91–120 $	120+ $
December 31, 2013	**395,475**	**203,840**	**102,858**	**33,659**	**17,757**	**37,361**
December 31, 2012 (Restated)	364,852	176,305	101,887	34,512	20,855	31,293

10. Property and Equipment

(In thousands of Canadian dollars)	Engineering Equipment $	Office Equipment $	Automotive Equipment $	Leasehold Improvements $	Assets under Finance Leases $	Buildings $	Land $	Total $
Cost								
January 1, 2012 *	93,059	46,823	8,370	71,150	2,046	7,254	1,313	230,015
Additions *	12,776	4,752	2,039	10,743	381	-	-	30,691
Additions arising on acquisitions	1,809	960	289	1,211	2,273	-	-	6,542
Disposals	(5,525)	(682)	(539)	(4,378)	-	-	-	(11,124)
Transferred to held for sale	-	-	-	-	-	-	(27)	(27)
Transfers	160	871	-	-	(1,031)	-	-	-
Impact of foreign exchange	(720)	(285)	(95)	(473)	14	(59)	(14)	(1,632)
December 31, 2012 *	101,559	52,439	10,064	78,253	3,683	7,195	1,272	254,465
Additions	17,185	8,873	2,745	24,399	133	183	-	53,518
Additions arising on acquisitions	30	174	73	399	116	-	-	792
Disposals	(21,651)	(6,384)	(1,000)	(11,301)	(351)	-	-	(40,687)
Transferred to held for sale	-	-	-	-	-	(1,603)	(298)	(1,901)
Transfers	496	549	304	-	(1,349)	-	-	-
Impact of foreign exchange	2,504	1,046	487	1,670	110	205	43	6,065
December 31, 2013	**100,123**	**56,697**	**12,673**	**93,420**	**2,342**	**5,980**	**1,017**	**272,252**
Accumulated depreciation								
January 1, 2012 *	57,167	28,776	5,676	27,573	1,003	2,057	-	122,252
Current year depreciation *	11,582	4,259	1,124	9,697	422	765	-	27,849
Disposals	(5,012)	(322)	(458)	(3,995)	-	-	-	(9,787)
Transfers	112	470	-	-	(582)	-	-	-
Impact of foreign exchange	(401)	(188)	(67)	(169)	(2)	(16)	-	(843)
December 31, 2012 *	63,448	32,995	6,275	33,106	841	2,806	-	139,471
Current year depreciation	12,899	5,154	1,716	11,376	587	657	-	32,389
Disposals	(18,865)	(5,517)	(853)	(10,243)	(74)	-	-	(35,552)
Transferred to held for sale	-	-	-	-	-	(754)	-	(754)
Transfers	209	378	24	62	(673)	-	-	-
Impact of foreign exchange	1,472	668	282	653	(4)	93	-	3,164
December 31, 2013	**59,163**	**33,678**	**7,444**	**34,954**	**677**	**2,802**	**-**	**138,718**
Net book value								
December 31, 2012 *	38,111	19,444	3,789	45,147	2,842	4,389	1,272	114,994
December 31, 2013	**40,960**	**23,019**	**5,229**	**58,466**	**1,665**	**3,178**	**1,017**	**133,534**

* Restated

Included in leasehold improvements is construction work in progress in the amount of $3,919,000 (2012 – $1,083,000), on which depreciation has not started. The Company entered into finance leases for certain office and automotive equipment.

11. Goodwill

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
Net goodwill, beginning of the year	**566,784**	509,028
Current year acquisitions	**7,523**	63,474
Impact of foreign exchange	**20,519**	(5,718)
Net goodwill, end of the year	**594,826**	566,784
Gross goodwill, end of the year	**772,826**	744,784
Accumulated impairment losses	**(178,000)**	(178,000)
Net goodwill, end of the year	**594,826**	566,784

Goodwill arising on acquisitions includes factors such as the expertise and reputation of the assembled workforce acquired, the geographic location of the acquiree, and the expected synergies.

The Company allocates goodwill to its CGUs, which are also its operating segments. These CGUs are defined based on the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Other factors are considered, including how management monitors the entity's operations. The Company has defined its CGUs as Canada, the United States, and International. The Company does not monitor goodwill at or allocate goodwill to its practice area units.

On October 1, 2013, and October 1, 2012, the Company performed its annual goodwill impairment test in accordance with its policy as described in note 4. Based on the results of these tests, the Company concluded that the recoverable amount of its CGUs exceeded their carrying amount and, therefore, goodwill was not impaired.

The Company has allocated its goodwill to its CGUs as follows:

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
Canada	**290,009**	286,127
United States	**304,817**	280,657
Allocated	**594,826**	566,784

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

Valuation techniques

When performing the goodwill impairment test, the Company compares the recoverable amount of its CGUs to their respective carrying amounts. If the carrying amount of a CGU is higher than its recoverable amount, an impairment charge is recorded as a reduction in the carrying amount of the goodwill on the consolidated statements of financial position and recognized as a non-cash impairment charge in income.

The Company estimates the recoverable amount by using the fair value less costs to sell approach. It estimates fair value using market information and discounted after-tax cash flow projections, which is known as the income approach. The income approach uses a CGU's projection of estimated operating results and discounted cash flows based on a discount rate that reflects current market conditions. The Company uses cash flow projections from financial forecasts approved by senior management covering a five-year period. For its October 1, 2013, and October 1, 2012, impairment test, the Company discounted its CGUs' cash flows using after-tax discount rates ranging from 10.0% to 12.0%. To arrive at cash flow projections, the Company used estimates of economic and market information over the projection period (note 5).

The Company validates its estimate of the fair value of each CGU under the income approach by comparing the resulting multiples to multiples derived from comparable public companies and comparable private company transactions. The Company reconciles the total of the fair values of its CGUs with its market capitalization to determine if the sum of the individual fair values is reasonable. If the reconciliation indicates a significant difference between the external market capitalization and the fair values of the CGUs, the Company reviews and adjusts, if appropriate, the discount rates by CGUs and considers if the implied control premium is reasonable in light of current market conditions. The fair value measurement was categorized as a level 3 fair value based on the inputs in the valuation technique used (note 22).

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

Key assumptions

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

- Operating margins based on actual experience and management's long-term projections.

- Discount rates reflecting investors' expectations when discounting future cash flows to a present value, taking into consideration market rates of return, capital structure, company size, and industry risk. This rate is further adjusted to reflect risks specific to the CGU for which future estimates of cash flows have not been adjusted.

- Growth rate estimates based on actual experience and market analysis. Projections are extrapolated beyond five years using a growth rate that typically does not exceed 3.0%.

Sensitivity to changes in assumptions

As at October 1, 2013, the recoverable amount of the Company's Canadian and US CGUs exceeded their carrying amount. For the assessment of fair value less costs to sell, management believes that no reasonably possible change in any of the above key assumptions would have caused the carrying amount of the Canadian or US CGU to exceed its recoverable amount.

12. Intangible Assets

(In thousands of Canadian dollars)	Client Relationships $	Contract Backlog $	Software $	Other $	Total $	Total Lease Disadvantage (note 18) $
Cost						
December 31, 2011	74,496	10,827	26,734	3,808	115,865	(6,002)
Additions	-	-	13,914	-	13,914	-
Additions – internal development	-	-	884	-	884	-
Additions arising on acquisitions	12,995	5,854	290	1,431	20,570	(1,353)
Removal of fully amortized assets	(741)	(4,885)	(4,310)	(1,373)	(11,309)	-
Impact of foreign exchange	(915)	(173)	(2)	(31)	(1,121)	120
December 31, 2012	85,835	11,623	37,510	3,835	138,803	(7,235)
Additions	-	-	9,772	-	9,772	-
Additions – internal development	-	-	105	-	105	-
Additions arising on acquisitions	3,329	761	-	319	4,409	(13)
Removal of fully amortized assets	(789)	(7,670)	(673)	(2,486)	(11,618)	984
Impact of foreign exchange	3,440	571	55	93	4,159	(500)
December 31, 2013	**91,815**	**5,285**	**46,769**	**1,761**	**145,630**	**(6,764)**
Accumulated amortization						
December 31, 2011	27,667	4,412	9,581	2,158	43,818	(1,051)
Current year amortization	6,431	6,296	6,986	1,346	21,059	(1,051)
Removal of fully amortized assets	(741)	(4,885)	(4,310)	(1,373)	(11,309)	-
Impact of foreign exchange	(394)	(93)	(9)	(17)	(513)	27
December 31, 2012	32,963	5,730	12,248	2,114	53,055	(2,075)
Current year amortization	7,294	5,342	9,675	982	23,293	(2,058)
Removal of fully amortized assets	(789)	(7,670)	(673)	(2,486)	(11,618)	984
Impact of foreign exchange	1,544	410	38	51	2,043	(208)
December 31, 2013	**41,012**	**3,812**	**21,288**	**661**	**66,773**	**(3,357)**
Net book value						
December 31, 2012	52,872	5,893	25,262	1,721	85,748	(5,160)
December 31, 2013	**50,803**	**1,473**	**25,481**	**1,100**	**78,857**	**(3,407)**

Once an intangible asset is fully amortized, the gross carrying amount and related accumulated amortization are removed from the accounts. Other than goodwill, the Company has not recorded any intangible assets with indefinite lives. Included in software are finance leases with a net book value of $10,058,000 (2012 – $10,433,000) and $346,000 (2012 – $241,000) in internally generated software that is not ready for use and, therefore, is not being amortized.

In accordance with its accounting policies in note 4, the Company tests intangible assets for recoverability when events or a change in circumstances indicate that their carrying amount may not be recoverable. In determining indicators of impairment of intangible assets, the Company considers external sources of information such as prevailing economic and market conditions. It also considers internal sources of information such as the historical and expected financial performance of the intangible assets. If indicators of impairment are present, the Company determines recoverability based on an estimate of discounted cash flows, using the fair value less costs to sell method, and the measurement of impairment loss is based on the amount that the carrying amount of an intangible

asset exceeds its recoverable amount. As part of the impairment test, the Company updates its future cash flow assumptions and estimates, including factors such as current and future contracts with clients, margins, market conditions, and the useful lives of the assets. During 2013, the Company concluded that there were no indicators of impairment to intangible assets.

13. Investments in Joint Ventures and Associates

The Company has interests in a number of individually immaterial joint ventures and associates. The Company's joint ventures and associates are private entities that are not listed on any public exchange. All operations are continuing. The Company has no share of any contingent liabilities or capital commitments in its joint ventures as at December 31, 2013, and December 31, 2012.

Movement in investments in joint ventures and associates *(In thousands of Canadian dollars)*	**December 31 2013 $**	December 31 2012 $
		(Restated)
Balance, beginning of the year	**5,286**	3,980
Equity contribution	**96**	-
Share of total comprehensive income	**2,276**	2,026
Dividends/distributions received	**(2,685)**	(724)
Impact of foreign exchange	**23**	4
Balance, end of the year	**4,996**	5,286

To support the activities of certain joint ventures and associates, the Company and the other investors in the joint ventures have agreed to make additional contributions, in proportion to their interests, to make up any losses, if required. In addition, for certain joint ventures and associates, the profits will not be distributed until the parties to the arrangement provide consent for distribution.

14. Other Financial Assets

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
		(Restated)
Investments held for self-insured liabilities	**92,503**	67,590
Investments	**1,723**	2,063
Holdbacks on long-term contracts	**6,188**	5,392
Indemnifications	**1,377**	1,762
Future sublease revenue	**2,405**	4,001
Other	**385**	553
	104,581	81,361
Less current portion	**21,418**	17,670
Long-term portion	**83,163**	63,691

Investments held for self-insured liabilities

Investments held for self-insured liabilities consist of government and corporate bonds, equity securities, and term deposits. These investments are classified as available for sale and are stated at fair value with unrealized gains (losses) recorded in other comprehensive income.

The fair value of the bonds at December 31, 2013, was $59,310,000 (2012 – $46,358,000), the fair value of the equities was $30,115,000 (2012 – $21,232,000), and the fair value of the term deposits was $3,078,000 (2012 – nil). The amortized cost of the bonds at December 31, 2013, was $59,079,000 (2012 – $45,830,000) the cost of the equities was $23,635,000 (2012 – $18,735,000), and the cost of the term deposits was $3,078,000 (2012 – nil). The bonds bear interest at rates ranging from 0.50% to 5.28% per annum (2012 – 0.38% to 5.50%). The term deposits mature at various dates prior to June 2014.

The term to maturity of the bond portfolio, stated at fair value, is as follows:

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
Within one year	**15,966**	13,797
After one year but not more than five years	**43,344**	32,561
Total	**59,310**	46,358

Indemnifications

The Company's indemnifications relate to certain legal claims (note 17). During 2013, the Company decreased provisions and indemnification assets relating to prior acquisitions by $385,000 (2012 – $930,000) because of new information obtained in the year.

Future sublease revenue

When the Company ceases to use an office space under an operating lease arrangement or sublets part of an office space at a loss compared to its original operating lease arrangement, it records a liability for the present value of future lease payments, as well as an asset for the present value of the future rental income that is virtually certain.

15. Trade and Other Payables

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
		(Restated)
Trade accounts payable	**85,100**	63,811
Employee and payroll liabilities	**141,957**	119,343
Accrued liabilities	**32,056**	28,572
	259,113	211,726

16. Long-Term Debt

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
Non-interest-bearing note payable	**257**	235
Other notes payable	**52,953**	81,371
Bank loan	**51,053**	80,663
Senior secured notes	**124,396**	124,198
Finance lease obligations	**9,414**	12,829
	238,073	299,296
Less current portion	**37,130**	42,888
Long-term portion	**200,943**	256,408

Other notes payable

The weighted average rate of interest on the other notes payable is 3.10% (2012 – 2.82%). The notes may be supported by promissory notes and are due at various times from 2014 to 2016. The aggregate maturity value of the notes is $53,379,000 (2012 – $82,439,000). At December 31, 2013, $26,277,000 (US$24,706,000) (2012 – $41,555,000 (US$41,768,000)) of the notes' carrying amount was payable in US funds.

Bank loan

During the third quarter of 2013, the Company reached an agreement to extend the maturity date of its $350-million revolving credit facility under the same terms and conditions to August 31, 2017. This facility allows the Company access to an additional $150 million under the same terms and conditions on approval from its lenders. The facility is available for future acquisitions, working capital needs, and general corporate purposes. Depending on the form under which the credit facility is accessed, rates of interest will vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates, plus specified basis points. The specified basis points may vary, depending on the Company's level of consolidated debt to EBITDA (a non-IFRS measure), from 20 to 145 for Canadian prime and US base rate loans, and from 120 to 245 for bankers' acceptances, LIBOR loans, and letters of credit.

At December 31, 2013, $51,053,000 (US$48,000,000) of the bank loan was payable in US funds. At December 31, 2012, $65,663,000 (US$66,000,000) of the bank loan was payable in US funds and $15,000,000 was payable in Canadian funds. Loans may be repaid under the credit facility from time to time at the option of the Company. The credit facility contains restrictive covenants (note 24). The average interest rate applicable at December 31, 2013, was 1.37% (2012 – 1.60%) (note 26).

The funds available under the revolving credit facility are reduced by any outstanding letters of credit issued pursuant to this facility agreement. At December 31, 2013, the Company had issued and outstanding letters of credit, expiring at various dates before January 2015, totaling $222,000 (2012 – $4,639,000), payable in Canadian funds, and $950,000 (US$893,000) (2012 – $1,240,000 (US$1,246,000)), payable in US funds. These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations. At December 31, 2013, $297,775,000 (2012 – $263,458,000) was available in the revolving credit facility for future activities.

The Company has a surety facility to facilitate, as part of the normal course of operations, the issuance of bonds for certain types of project work. At December 31, 2013, the Company had issued bonds under this surety facility

totaling $945,000 (2012 – nil) in Canadian funds, and $3,765,000 (US$3,540,000) (2012 – $11,061,000 (US$11,118,000)) issued in US funds. These bonds expire at various dates before April 2020.

The Company has a bid bond facility, expiring on August 31, 2017, in the amount of $10 million. This facility allows the Company access to an additional $5 million under the same terms and conditions upon approval from its lenders. This facility may be used for the issuance of bid bonds, performance guarantees, letters of credit, and documentary credits in an international currency. At December 31, 2013, $7,036,000 (2012 – $1,998,000) was issued under this bid bond facility and was payable in various international currencies and expiring at various dates before November 2014.

Senior secured notes

On May 13, 2011, the Company issued $70 million of 4.332% senior secured notes due May 10, 2016, and $55 million of 4.757% senior secured notes due May 10, 2018. These amounts were recorded net of transaction costs of $1,115,000. The senior secured notes were issued pursuant to an indenture dated May 13, 2011, between the Company, as issuer, and BNY Trust Company of Canada, as trustee and collateral agent. The senior secured notes are ranked *pari passu* with the Company's existing revolving credit facility.

Interest on the senior secured notes is payable semi-annually in arrears on May 10 and November 10 until maturity or the earlier payment, redemption, or purchase in full of the senior secured notes. The Company may redeem the senior secured notes, in whole at any time or in part from time to time, at specified redemption prices and subject to certain conditions required by the indenture. The Company may purchase its senior secured notes for cancellation at any time. The senior secured notes contain restrictive covenants (note 24). All Company assets are held as collateral under a general security agreement for the revolving credit facility and the senior secured notes.

Finance lease obligations

The Company has finance leases for software, automotive and office equipment. At December 31, 2013, the Company's finance lease obligations included finance leases bearing interest at rates ranging from 0.78% to 12.98% (2012 – 0.78% to 13.06%). These finance leases expire at various dates before August 2017.

Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
Within one year	**5,491**	4,945
After one year but not more than five years	**4,544**	8,596
Total minimum lease payments	**10,035**	13,541
Present value of minimum lease payments	**9,414**	12,829

17. Provisions

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
Provision for self-insured liabilities	**47,628**	36,381
Provisions for claims	**6,946**	8,717
Onerous contracts	**7,012**	6,724
	61,586	51,822
Less current portion	**12,047**	14,863
Long-term portion	**49,539**	36,959

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. In addition, management believes that it has appropriate insurance in place to respond to and offset the cost of resolving these claims.

Due to uncertainties in the nature of the Company's legal claims, such as the range of possible outcomes and the progress of the litigation, provisions accrued involve estimates. The ultimate cost to resolve these claims may exceed or be less than those recorded in the consolidated financial statements. Management believes that the ultimate cost to resolve these claims will not materially exceed the insurance coverage or provisions accrued and, therefore, would not have a material adverse effect on the Company's consolidated statements of income and financial position. Management reviews the timing of the outflows of these provisions on a regular basis. Cash outflows for existing provisions are expected to occur within the next one to five years, although this is uncertain and depends on the development of the various claims. These outflows are not expected to have a material impact on the Company's cash flows.

Provision for self-insured liabilities

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
Provision, beginning of the year	**36,381**	36,662
Current-year provision	**16,807**	10,612
Payment for claims settlement	**(7,263)**	(10,396)
Impact of foreign exchange	**1,703**	(497)
Provision, end of the year	**47,628**	36,381

The current and long-term portions of provision for self-insured liabilities are determined based on an actuarial estimate. At December 31, 2013, the long-term portion was $44,553,000 (2012 – $34,097,000).

Provisions for claims

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
Provisions, beginning of the year	**8,717**	11,554
Current-year provisions	**1,413**	177
Claims from acquisitions	**-**	882
Claims paid or otherwise settled	**(3,310)**	(3,860)
Impact of foreign exchange	**126**	(36)
Provisions, end of the year	**6,946**	8,717

Provisions for claims include an estimate for costs associated with legal claims covered by third-party insurance. Often, these legal claims are from prior acquisitions and may be indemnified by the acquiree (notes 7 and 14).

Onerous contracts

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
Liability, beginning of the year	**6,724**	10,233
Current-year provisions	**5,465**	1,647
Resulting from acquisitions	**-**	409
Costs paid or otherwise settled	**(5,552)**	(5,401)
Impact of foreign exchange	**375**	(164)
Liability, end of the year	**7,012**	6,724

Onerous contracts consist of lease exit liabilities and sublease losses (note 4g). Payments for onerous contracts will occur until December 2024.

18. Other Liabilities

(In thousands of Canadian dollars)	Notes	**December 31 2013 $**	December 31 2012 $
Deferred gain on sale leaseback		**3,131**	3,567
Lease inducement benefits		**40,679**	32,666
Lease disadvantages	12	**3,407**	5,160
Deferred share units payable	21	**12,198**	5,788
Restricted share units payable	21	**3,598**	2,456
Liability for uncertain tax positions		**4,779**	1,791
		67,792	51,428
Less current portion		**9,837**	8,650
Long-term portion		**57,955**	42,778

19. Commitments

The Company has entered into various operating lease commitments, including commitments for annual basic premises rent under long-term leases, storage facilities, and equipment and vehicle operating leases. The Company also entered into purchase obligations for software support and equipment. Depending on the agreement, the Company may enter into renewal options or escalation clauses.

Future minimum rentals payable under non-cancellable operating leases and purchase obligations as at December 31, 2013, are as follows:

(In thousands of Canadian dollars)	$
Within one year	107,832
After one year but not more than five years	319,607
More than five years	141,016
	568,455

The premises rental expense for the year ended December 31, 2013, was $90,822,000 (2012 – $76,713,000).

Sublease rental income for the year ended December 31, 2013, was $4,565,000 (2012 – $3,669,000). Future minimum sublease payments expected to be received under non-cancellable sublease agreements as at December 31, 2013, are $5,646,000 (2012 – $5,995,000).

20. Contingencies and Guarantees

The nature of the Company's legal claims and the provisions recorded for these claims are described in note 17. Although the Company accrues adequate provisions for probable legal claims, it has contingent liabilities relating to reported legal incidents that, based on current known facts, are not probable to result in future cash outflows. The Company is monitoring these incidents and will accrue no provision until further information results in a situation in which the criteria required to record a provision is met. Due to the nature of these incidents, such as the range of possible outcomes and the possibility of litigation, it is not practicable for management to estimate the financial effects of these incidents, the amount and timing of future outflows, and the possibility of any reimbursement of these outflows.

During 2009, the Company issued a guarantee, up to a maximum of US$60 million, for project work with the US federal government. If the guarantee is exercised, the Company has recourse to its insurers, subject to certain deductibles, policy terms, and limits, to recover claims costs and damages arising from errors or omissions in professional services. At December 31, 2013, $155,000 of this guarantee has been exercised, but the Company has not made any payments under this guarantee and no amounts have been accrued in the consolidated financial statements with respect to the guarantee. This guarantee expires on July 15, 2014.

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

contract, the nature of which prevents the Company from making a reasonable estimate of the maximum potential amount that it could be required to pay to counterparties. The Company carries liability insurance, subject to certain deductibles and policy limits, that provides protection against certain insurable indemnifications.
Historically, the Company has not made any material payments under such indemnifications, and no amounts have been accrued in the consolidated financial statements with respect to these indemnifications.

21. Share Capital

Authorized

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

Common shares

During the second quarter of 2013, the Company did not renew its normal course issuer bid with the TSX, which expired on May 31, 2013.

During 2013, the Company recognized a share-based compensation expense of $12,707,000 (2012 – $7,507,000) in administrative and marketing expenses in the consolidated statements of income. Of the amount expensed, $3,778,000 (2012 – $2,805,000) related to the fair value of options granted and $8,929,000 (2012 – $4,702,000) related to cash-settled share-based compensation (deferred share units and restricted share units).

The fair value of options granted was reflected through contributed surplus, and the cash-settled share-based compensation was reflected through other liabilities. Upon the exercise of share options for which a share-based compensation expense has been recognized, the cash paid, together with the related portion of contributed surplus, is credited to share capital.

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 of seven years. The aggregate number of common shares reserved for issuance that may be purchased upon the exercise of options granted pursuant to the plan shall not exceed 4,487,026 common shares. At December 31, 2013, 743,570 (2012 – 1,165,400) options were available for issue.

The Company has granted share options to officers and employees to purchase 1,305,415 shares at prices between $28.65 and $41.75 per share. These options expire on dates between August 17, 2014, and February 26, 2020.

	December 31 2013		December 31 2012	
	Shares #	**Weighted Average Exercise Price $**	Shares #	Weighted Average Exercise Price $
Share options, beginning of the year	**1,475,823**	**28.79**	1,578,300	26.64
Granted	**455,000**	**41.75**	375,500	29.75
Exercised	**(592,238)**	**27.87**	(460,309)	22.17
Forfeited	**(33,170)**	**33.81**	(17,668)	28.90
Share options, end of the year	**1,305,415**	**33.60**	1,475,823	28.79

The options held by officers and employees at December 31, 2013, 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 $
28.65 – 30.61	**862,415**	**3.58**	**29.42**	**508,766**	**2.74**	**29.45**
41.75	**443,000**	**6.16**	**41.75**	**-**	**-**	**-**
28.65 – 41.75	**1,305,415**	**4.46**	**33.60**	**508,766**	**2.74**	**29.45**

The fair value of options granted is determined at the date of grant using the Black-Scholes option-pricing model. The model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected share price volatility.

In 2013, the Company granted 455,000 (2012 – 375,500) share options. The estimated fair value of options granted at the share market price on the grant date was $11.18 (2012 – $8.47) and was determined using the weighted average assumptions indicated below:

	2013	2012
Volatility in the price of the Company's shares (%)	**34.96**	39.08
Risk-free interest rate (%)	**1.44**	1.39
Expected hold period to exercise (years)	**4.50**	4.50
Dividend yield (%)	**1.58**	2.00
Exercise price ($)	**41.75**	29.75

The expected volatility was based on the historical volatility of the Company's shares over a period commensurate with the expected hold period of the share option. The risk-free interest rate for the expected hold period 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 hold period prior to exercising the option.

A summary of the status of the Company's non-vested options as of December 31, 2013, and of changes in the year, are as follows:

	Number of Shares Subject to Option #	Weighted Average Grant Date Fair Value $
Non-vested share options, beginning of the year	**617,053**	**9.56**
Granted	**455,000**	**11.18**
Vested	**(245,731)**	**9.66**
Forfeited	**(29,673)**	**10.17**
Non-vested share options, end of the year	**796,649**	**10.43**

As at December 31, 2013, 796,649 (2012 – 617,053) options remained unvested. As at December 31, 2013, a total compensation cost of $3,019,000 (2012 – $2,035,000) related to the Company's share option plans remains unrecognized. This cost is expected to be recognized over a weighted average period of 0.85 years (2012 – 0.92 years).

Dividends

The holders of common shares are entitled to receive dividends when declared by the Company's board of directors. The following table describes the dividends declared and recorded in the consolidated financial statements in 2013 and 2012.

Date Declared	Record Date	Payment Date	Dividend per Share $	Paid $
February 15, 2012	March 30, 2012	April 17, 2012	0.150	6,856,000
May 9, 2012	June 29, 2012	July 19, 2012	0.150	6,863,000
August 2, 2012	September 28, 2012	October 18, 2012	0.150	6,882,000
October 31, 2012	December 31, 2012	January 17, 2013	0.150	6,897,000
February 20, 2013	March 28, 2013	April 18, 2013	0.165	7,611,000
May 8, 2013	June 28, 2013	July 18, 2013	0.165	7,625,000
July 31, 2013	September 27, 2013	October 17, 2013	0.165	7,649,000
October 30, 2013	December 31, 2013	January 16, 2014	0.165	-

As at December 31, 2013, trade and other payables include $7,684,000 related to the dividends declared on October 30, 2013.

Deferred share units

Under the Company's deferred share unit plan, the chief executive officer (CEO) and directors of the board of the Company may receive deferred share units equal to one common share. These units vest on their grant date. They are paid out to the CEO and directors of the board of the Company upon their death or retirement, or in the case of the CEO, on termination, in the form of cash. They are valued at the weighted-by-volume average of the closing market price of the Company's common shares for the last 10 trading days of the month of death, retirement, or termination. Deferred share units cannot be paid in the form of Company shares. These units are recorded at fair value. Deferred share units are adjusted for dividends as they arise, based on the number of units outstanding on the record date. During 2013, 35,267 deferred share units were issued (2012 – 40,789). As at December 31, 2013, 182,003 units were outstanding at the fair value of $12,198,000 (2012 – 146,736 units at the fair value of $5,788,000).

Restricted share units

Under the Company's restricted share unit plan, senior vice presidents may receive restricted share units equal to one common share. The senior vice presidents are granted an allotment of these units annually in which, after two years, they receive a cash equivalent to the weighted-by-volume average of the closing price of the Company's common shares for the last 10 trading days prior to the unit's release date. The restricted share units vest on their grant date since the senior vice presidents are not required to complete a specified period of service. The units are recorded at fair value. Restricted share units are adjusted for dividends as they arise based on the number of units outstanding on the record date. During 2013, 25,353 restricted share units were issued (2012 – 28,949). As at December 31, 2013, 53,691 units were outstanding at the fair value of $3,598,000 (2012 – 62,260 units at the fair value of $2,456,000).

22. Fair Value Measurements

All financial instruments carried at fair value are categorized in one of the following three categories:

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

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

When determining fair value, the Company considers the principal or most advantageous market in which it would transact and the assumptions that market participants would use when pricing the asset or liability. The Company measures certain financial assets at fair value on a recurring basis. There has been no change in the method of determining fair value in the year.

For financial instruments recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorizations at the end of each reporting period. During the year ended December 31, 2013, there were no transfers between level 1 and level 2 fair value measurements.

The following table summarizes the Company's fair value hierarchy for those assets measured and adjusted to fair value on a recurring basis as at December 31, 2013:

(In thousands of Canadian dollars)	Notes	**Carrying Amount of Asset $**	**Quoted Prices in Active Markets for Identical Items (Level 1) $**	**Significant Other Observable Inputs (Level 2) $**	**Significant Unobservable Inputs (Level 3) $**
Investments held for self-insured liabilities	14	**92,503**		**92,503**	

Investments held for self-insured liabilities consist of government and corporate bonds, equity securities, and term deposits. The fair value of equities is determined using the reported net asset value per share of the investment funds. The funds derive their value from the observable quoted prices of the equities owned that are traded in an active market. The fair value of bonds is determined using observable prices of debt with characteristics and maturities that are similar to the bonds being valued.

The following table summarizes the Company's fair value hierarchy for those liabilities not measured at fair value but disclosed at fair value on a recurring basis as at December 31, 2013:

(In thousands of Canadian dollars)	Notes	Fair Value Amount of Liability $	Quoted Prices in Active Markets for Identical Items (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Other notes payable	16	**53,798**	-	**53,798**	-
Senior secured notes	16	**130,468**	-	**130,468**	-
		184,266	-	**184,266**	-

The fair values of other notes payable and senior secured notes are determined by calculating the present value of future payments using observable benchmark interest rates and credit spreads for debt with similar characteristics and maturities.

23. Financial Instruments

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, investments held for self-insured liabilities, investments, holdbacks on long-term contracts, future sublease revenue, and trade and other receivables. The Company's maximum amount of credit risk exposure is limited to the carrying amount of these financial instruments, which is $630,756,000 as at December 31, 2013 (2012 – $473,205,000).

The Company limits its exposure to credit risk by placing its cash and cash equivalents in and entering into derivative agreements with high-quality credit institutions. Investments held for self-insured liabilities include bonds, equities, and term deposits. The risk associated with bonds, equities, and term deposits is mitigated by the overall quality and mix of the Company's investment portfolio.

The Company mitigates the risk associated with trade and other receivables and holdbacks on long-term contracts by providing services to diverse clients in various industries and sectors of the economy. The Company does not concentrate its credit risk in any particular client, industry, or economic or geographic sector. In addition, management reviews trade and other receivables past due on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds at an early stage. The Company monitors trade receivables to an internal target of days of revenue in trade receivables (a non-IFRS measure). At December 31, 2013, there were 62 days (2012 – 64 days) of revenue in trade receivables.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet obligations associated with its financial liabilities as they fall due. The Company meets its liquidity needs through a variety of sources, including cash generated from operations, long- and short-term borrowings from its $350-million revolving credit facility and

senior secured notes, and the issuance of common shares. The unused capacity of the credit facility at December 31, 2013, was $297,775,000 (2012 – $263,458,000). The Company believes that it has sufficient resources to meet its obligations associated with its financial liabilities. Liquidity risk is managed according to the Company's internal guideline of maintaining a net debt to EBITDA ratio of less than 2.5 (note 24).

The timing of undiscounted cash outflows relating to financial liabilities is outlined in the table below:

(In thousands of Canadian dollars)	**Total $**	**Less than 1 Year $**	**1–3 Years $**	**After 3 Years $**
December 31, 2012				
Trade and other payables	211,726	211,726	-	-
Long-term debt	302,576	43,603	202,174	56,799
Other financial liabilities	4,014	1,672	767	1,575
Total contractual obligations (Restated)	518,316	257,001	202,941	58,374
December 31, 2013				
Trade and other payables	**259,113**	**259,113**	**-**	**-**
Long-term debt	**240,399**	**37,946**	**146,521**	**55,932**
Other financial liabilities	**3,968**	**1,927**	**164**	**1,877**
Total contractual obligations	**503,480**	**298,986**	**146,685**	**57,809**

In addition to the financial liabilities listed in the preceding table, the Company will pay interest on the bank loan and senior secured notes outstanding in future periods. Further information on long-term debt is included in note 16.

Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market rates of interest. The Company is subject to interest rate cash flow risk to the extent that its revolving credit facility is based on floating rates of interest. In addition, the Company is subject to interest rate pricing risk to the extent that its investments held for self-insured liabilities include fixed-rate government and corporate bonds and term deposits.

If the interest rate on the Company's revolving credit facility balance at December 31, 2013, had been 0.5% higher, with all other variables held constant, net income would have decreased by approximately $188,000 (2012 – $296,000). If the interest rate had been 0.5% lower, there would have been an equal and opposite impact on net income.

The Company has the flexibility to partially mitigate its exposure to interest rate changes by maintaining a mix of both fixed- and floating-rate debt. The Company's senior secured notes have fixed interest rates; therefore, interest rate fluctuations would have no impact on the interest payments for the senior secured notes.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange gains or losses in the Company's net income arise on the translation of foreign-denominated assets and liabilities (such as trade and other receivables, trade and other payables, and long-term debt) held in the Company's Canadian operations and non-US-based foreign subsidiaries. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching foreign currency assets with foreign currency liabilities and, when appropriate, by entering into forward contracts to buy or sell US dollars and British pounds in exchange for Canadian dollars.

If the exchange rates had been $0.01 higher or lower at December 31, 2013, with all other variables held constant, net income would have increased or decreased by approximately $42,000 (2012 – $29,000).

Foreign exchange fluctuations may also arise on the translation of the Company's US-based subsidiaries or other foreign subsidiaries, where the functional currency is different from the Canadian dollar, and are recorded in other comprehensive income. The Company does not hedge for this foreign exchange risk.

24. Capital Management

The Company's objective when managing capital is to provide sufficient capacity to cover normal operating and capital expenditures, as well as acquisition growth and payment of dividends, while maintaining an adequate return for shareholders. The Company defines its capital as the aggregate of long-term debt (including the current portion) and shareholders' equity.

The Company manages its capital structure to maintain the flexibility to adjust to changes in economic conditions and acquisition growth and to respond to interest rate, foreign exchange, credit, and other risks. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, or raise or retire debt.

The Company periodically monitors capital by maintaining the following ratio targets:

- net debt to EBITDA ratio below 2.5
- return on equity (ROE) at or above 14%

These objectives are established annually and monitored quarterly. The targets for 2013 remained unchanged from 2012.

Net debt to EBITDA ratio, a non-IFRS measure, is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash and cash equivalents, divided by (2) EBITDA, calculated as income before income taxes, plus net interest expense, amortization of intangible assets, depreciation of property and equipment, and goodwill and intangible asset impairment. The Company's net debt to EBITDA ratio was 0.36 at December 31, 2013. Going forward, there may be occasions when the Company exceeds its target by completing acquisitions that increase its debt level above the target for a period of time.

ROE, a non-IFRS measure, is calculated as net income for the last four quarters, divided by average shareholders' equity over each of those quarters. The Company's ROE was 18.2% for the year ended December 31, 2013 (2012 – 18.0%).

The Company is subject to restrictive covenants related to its $350-million revolving credit facility and its senior secured notes that are measured on a quarterly basis. These covenants include, but are not limited to, consolidated debt to EBITDA and EBITDAR to consolidated debt service ratio (non-IFRS measures). EBITDAR is calculated as EBITDA, plus building rental obligations net of common area costs, taxes, charges, and levies. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of the debt obligation. The Company was in compliance with all the covenants under these agreements as at and throughout the year ended December 31, 2013.

25. 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:

	For the year ended December 31	
	2013	2012
	%	%
		(Restated)
Income tax expense at statutory Canadian rates	**25.9**	26.0
Increase (decrease) resulting from:		
Income from associated companies	**(0.1)**	(0.1)
Rate differential on foreign income	**1.4**	1.1
Non-deductible expenses:		
Meals and entertainment	**0.6**	0.6
Share-based compensation	**-**	0.1
Non-taxable foreign income net of non-creditable withholding taxes	**(1.0)**	(1.3)
Other	**(0.3)**	-
	26.5	26.4

The major components of deferred income tax recovery are as follows:

	For the year ended December 31	
	2013	2012
(In thousands of Canadian dollars)	**$**	$
		(Restated)
Origination and reversal of timing differences	**(7,487)**	(2,391)
Write-down of loss carryforwards	**69**	1,320
Change of tax rates	**(12)**	(6)
Total deferred income tax recovery	**(7,430)**	(1,077)

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

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
Deferred income tax assets		
Differences in timing of deductibility of expenses	**35,068**	31,014
Loss carryforwards	**2,284**	3,668
Tax cost of property and equipment in excess of carrying value	**5,487**	4,031
Deferred gain on sale of building	**208**	323
Other	**2,336**	1,939
	45,383	40,975

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
		(Restated)
Deferred income tax liabilities		
Cash to accrual adjustments on acquisitions of US subsidiaries	**3,637**	6,347
Differences in timing of taxability of revenues	**12,972**	13,740
Carrying value of property and equipment in excess of tax cost	**2,668**	53
Carrying value of intangible assets in excess of tax cost	**35,758**	34,235
Other	**3,047**	3,465
	58,082	57,840

The following is a reconciliation of net deferred tax assets (liabilities):

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
		(Restated)
Balance, beginning of the year	**(16,865)**	(10,922)
Tax recovery during the year recognized in net income	**7,430**	1,077
Tax expense during the year recognized in other comprehensive income	**(78)**	(33)
Deferred taxes acquired through business combinations	**(2,398)**	(7,034)
Impact of foreign exchange	**(227)**	(64)
Other	**(561)**	111
Balance, end of the year	**(12,699)**	(16,865)

At December 31, 2013, except as noted below, all loss carryforwards available to reduce the taxable income of Canadian, US, and foreign subsidiaries were recognized in the consolidated financial statements. The Company has unrecognized federal loss carryforwards of approximately $941,000 (US$885,000) (2012 – $881,000 (US$885,000)) that are available to reduce the taxable income of certain US subsidiaries and that expire at varying times over the next 20 years. The Company also has unrecognized loss carryforwards of approximately $9,295,000 (2012 – $8,499,000) and no recognized loss carryforwards (2012 – $97,000) that are available to reduce the taxable income of certain other foreign subsidiaries.

26. Net Interest Expense and Other Net Finance (Income) Expense

Net interest expense

(In thousands of Canadian dollars)	For the year ended December 31 **2013 $**	2012 $
		(Restated)
Interest on other notes payable	**2,330**	1,735
Interest on bank loan	**1,301**	2,562
Interest on senior secured notes	**5,649**	5,644
Interest on finance leases	**491**	141
Other	**434**	486
Total interest expense	**10,205**	10,568
Interest income on available-for-sale investment debt securities	**(1,110)**	(1,471)
Other	**(475)**	(416)
Total interest income	**(1,585)**	(1,887)
Net interest expense	**8,620**	8,681

Other net finance (income) expense

(In thousands of Canadian dollars)	For the year ended December 31 **2013 $**	2012 $
Amortization on available-for-sale investment debt securities	**359**	307
Bank charges	**2,571**	2,481
Total other finance expense	**2,930**	2,788
Realized gain on sale of available-for-sale investment debt securities	**(78)**	(15)
Derecognition of note payable	**(4,198)**	-
Total other finance income	**(4,276)**	(15)
Other net finance (income) expense	**(1,346)**	2,773

27. Employee Costs

(In thousands of Canadian dollars)	For the year ended December 31 **2013 $**	2012 $ (Restated)
Wages, salaries, and benefits	**1,201,116**	1,013,175
Pension costs	**31,626**	27,272
Share-based compensation	**12,707**	7,507
Total employee costs	**1,245,449**	1,047,954
Direct labor	**829,926**	699,657
Indirect labor	**415,523**	348,297
Total employee costs	**1,245,449**	1,047,954

Direct labor costs include the salaries, wages, and related fringe benefits for labor hours that are directly associated with the completion of projects. Bonuses, share-based compensation, and salaries, wages, and related fringe benefits for labor hours that are not directly associated with the completion of projects are included in indirect employee costs. Indirect employee costs are included in administrative and marketing expenses in the consolidated statements of income.

28. Earnings Per Share

The number of basic and diluted common shares outstanding, as calculated on a weighted average basis, is as follows:

	December 31 2013 #	December 31 2012 #
Basic shares outstanding	**46,255,231**	45,751,828
Share options (dilutive effect of 1,305,415 options; 2012 – 1,475,823)	**328,015**	45,266
Diluted shares outstanding	**46,583,246**	45,797,094

29. Cash Flows from Operating Activities

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

(In thousands of Canadian dollars)	For the year ended December 31 **2013** **$**	2012 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		(Restated)
Net income for the year	**146,201**	121,019
Add (deduct) items not affecting cash:		
Depreciation of property and equipment	**32,389**	27,849
Amortization of intangible assets	**21,235**	20,008
Deferred income tax	**(7,430)**	(1,077)
Loss on dispositions of investments and other assets	**4,086**	1,126
Share-based compensation expense	**12,707**	7,507
Provision for self-insured liability and claims	**18,220**	10,789
Other non-cash items	**(5,942)**	(2,675)
Share of income from joint ventures and associates	**(2,276)**	(2,026)
	219,190	182,520
Trade and other receivables	**(13,472)**	(4,036)
Unbilled revenue	**12,366**	(5,012)
Prepaid expenses	**(3,725)**	1,594
Trade and other payables	**32,727**	(19,127)
Billings in excess of costs	**13,537**	10,624
Income taxes payable	**11,506**	13,953
	52,939	(2,004)
Cash flows from operating activities	**272,129**	180,516

30. Related-Party Disclosures

Subsidiaries

As at December 31, 2013, the Company has subsidiaries that are controlled by the Company and consolidated in the Company's consolidated financial statements. Control is established when the Company is exposed to variable returns of the entity and can use its power to influence the variable returns.

The Company owns 100% of the voting and restricted securities of the entities below with the exception of AIVEK Stantec Limited Partnership (AIVEK) and Stassinu Stantec Limited Partnership (Stassinu).

The Company holds less than 50% of the voting rights of both AIVEK and Stassinu; however, the Company serves as the general partner for both entities and holds the ultimate decision making rights for both entities, including power to influence the variable returns of the entities through control over their relevant activities. Based on these facts and circumstances, management determined that the Company controls these entities, with the remaining non-controlling interests being immaterial.

Name	Jurisdiction of Incorporation
58053 Newfoundland & Labrador Inc.	Newfoundland and Labrador, Canada
59991 Newfoundland & Labrador Ltd.	Newfoundland and Labrador, Canada
3221969 Nova Scotia Company	Nova Scotia, Canada
AIVEK Stantec Limited Partnership	Newfoundland and Labrador, Canada
ENTRAN of Virginia, PLLC	Virginia, United States
International Insurance Group Inc.	Barbados
Jacques Whitford Consultants BV	Netherlands
Jacques Whitford Holdco Ltd.	Cayman Islands
Nu Nennè-Stantec Inc.	Alberta, Canada
Stantec Consulting Caribbean Ltd.	Barbados
Stantec Consulting Cayman Islands Ltd.	Cayman Islands
Stantec Consulting Colombia S.A.S.	Colombia
Stantec Consulting Guatemala, S.A.	Guatemala
Stantec Consulting International LLC	Arizona, United States
Stantec Consulting International Ltd.	Canada
Stantec Consulting Labrador Ltd.	Newfoundland and Labrador, Canada
Stantec Consulting Ltd.	Canada
Stantec Consulting Michigan Inc.	Michigan, United States
Stantec Consulting Services Inc.	New York, United States
Stantec Delaware II LLC	Delaware, United States
Stantec do Brasil Engenharia e Consultoria Ltda.	Brazil
Stantec Experts-conseils ltée	Canada
Stantec Holdings (Delaware) III Inc.	Delaware, United States
Stantec Holdings Ltd.	Canada
Stantec Holdings II Ltd.	Alberta, Canada
Stantec Newfoundland & Labrador Ltd.	Newfoundland and Labrador, Canada
Stantec Technology International Inc.	Delaware, United States
Stassinu Stantec Limited Partnership	Newfoundland and Labrador, Canada
UEI Associates, Inc.	Texas, United States
UEI Global I, Inc.	Texas, United States
Universal Energy do Brasil Ltda.	Brazil

There are no significant restrictions on the Company's ability to access or use assets, or to settle liabilities of its subsidiaries. The financial statements of all subsidiaries are prepared as at the same reporting date as that of the Company.

Structured entities

As at December 31, 2013, the Company has management agreements in place with several entities to provide various services, including architecture, engineering, planning, and project management. These entities have been designed so that voting rights are not the dominant factor in deciding who controls the entity. Each entity has a management agreement in place that provides the Company with control over the relevant activities of the entity, and where it has been assessed that the Company is exposed to variable returns of the entity and can use its power to influence the variable returns. The Company receives a management fee generally equal to the net income of the entities and has an obligation regarding the liabilities and losses of the entities. Based on these facts and circumstances, management determined that the Company controls these entities and they are consolidated in the Company's consolidated financial statements. The Company does not have any unconsolidated structured entities.

The following is a list of the structured entities that are consolidated in the Company's financial statements.

Name	**Jurisdiction of Incorporation**
Stantec Architecture and Engineering LLC	Pennsylvania, United States
Stantec Architecture and Engineering P.C.	Massachusetts, United States
Stantec Architecture Inc.	North Carolina, United States
Stantec Architecture Ltd.	Canada
Stantec Connecticut Inc.	Connecticut, United States
Stantec Consulting Private Limited	India
Stantec Engineering (Puerto Rico) P.S.C.	Puerto Rico
Stantec Geomatics Ltd.	Alberta, Canada
Stantec International Inc.	Pennsylvania, United States
Stantec Limited	England and Wales
Stantec Planning and Landscape Architecture P.C.	Maine, United States
Stantec Planning and Landscape Architecture P.C.	New York, United States

Compensation of key management personnel and directors of the Company

	For the year ended December 31	
(In thousands of Canadian dollars)	**2013 $**	2012 $
Salaries and other short-term employment benefits	**9,474**	8,446
Directors' fees	**281**	290
Share-based compensation	**9,385**	5,145
Total compensation	**19,140**	13,881

The Company's key management personnel include its CEO, chief financial officer, chief operating officer, and senior vice presidents. The amounts disclosed in the table are the amounts recognized as an expense related to key management personnel and directors during the reporting year. Share-based compensation includes the fair value adjustment for the year.

31. Segmented Information

The Company provides comprehensive professional services in the area of infrastructure and facilities throughout North America and internationally. It considers the basis on which it is organized, including geographic areas and service offerings, in identifying its reportable segments. Operating segments of the Company are defined as components of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker is the CEO of the Company, and the Company's operating segments are based on its regional geographic areas.

The Company has three operating segments—Canada, the United States, and International—which are aggregated into the consulting services reportable segment.

Geographic information: Non-current assets

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
		(Restated)
Canada	**426,452**	412,290
United States	**378,721**	352,717
International	**2,044**	2,519
	807,217	767,526

Non-current assets for this purpose consist of property and equipment, goodwill, and intangible assets.

Geographic information: Gross revenue

	For the year ended December 31	
(In thousands of Canadian dollars)	**2013 $**	2012 $
		(Restated)
Canada	**1,290,215**	1,080,932
United States	**867,479**	715,921
International	**78,716**	73,406
	2,236,410	1,870,259

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

Practice area unit information: Gross revenue

(In thousands of Canadian dollars)	For the year ended December 31 **2013 $**	2012 $
		(Restated)
Buildings	**401,863**	413,181
Environment	**732,289**	629,549
Industrial	**533,479**	384,758
Transportation	**337,167**	231,503
Urban Land	**231,612**	211,268
	2,236,410	1,870,259

Allocation of gross revenue to practice area units has been restated for comparative figures due to a realignment of several practice components between the Company's Transportation and Urban Land practice area units and due to the adoption of IFRS 10 and 11 (note 6).

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.

32. Amounts Due from Customers

The net amount due from customers, excluding trade receivables, for contracts in progress at each consolidated statement of financial position date, is as follows:

(In thousands of Canadian dollars)	**December 31 2013 $**	December 31 2012 $
		(Restated)
Gross amount due from customers (unbilled revenue)	**143,894**	148,908
Gross amount due to customers (billings in excess of costs)	**(77,803)**	(60,822)
Net amount due from customers	**66,091**	88,086

As at December 31, 2013, the current portion of holdbacks held by customers included in trade and other receivables was $3,423,000 (2012 – $4,433,000).

33. Investment Tax Credits

Investment tax credits, arising from qualifying scientific research and experimental development efforts pursuant to existing tax legislation, are recorded as a reduction of the applicable administrative and marketing expenses when there is reasonable assurance of their ultimate realization. In 2013, investment tax credits of $3,099,000 (2012 – $1,045,000) were recorded and reduced administrative and marketing expenses.

34. Events after the Reporting Period

On January 24, 2014, the Company acquired certain assets and liabilities, and the business of Williamsburg Environmental Group, Inc., and Cultural Resources, Inc. (WEG) for cash consideration and notes payable. Based in Williamsburg, Virginia, WEG also has offices in Richmond, Glen Allen, and Fredericksburg, Virginia. WEG provides specialized environmental services in ecology, environmental planning, water resources, wetland mitigation, stream assessment and restoration, landscape architecture, golf course planning, construction administration, cultural resource management, historic preservation, and regulatory support to public and private sector clients. The addition of WEG will expand the Company's environmental services practice in the US Mid Atlantic.

On February 26, 2014, the Company declared a dividend of $0.185 per share, payable on April 17, 2014, to shareholders of record on March 28, 2014.

Exhibit 99.4

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

1) Registration Statement (Form S-8 No. 333-143082) pertaining to the Employee Share Option Plan of Stantec Inc., and

2) Registration Statement (Form S-8 No. 333-143084) pertaining to the Employee Share Option Plan of Stantec Inc.

of our reports dated February 26, 2014, with respect to the consolidated financial statements of Stantec Inc. and the effectiveness of internal control over financial reporting of Stantec Inc., included in this Annual Report (Form 40-F) of Stantec Inc. for the year ended December 31, 2013.

We also consent to the use of our reports dated February 26, 2014, with respect to the consolidated financial statements of Stantec Inc. and the effectiveness of internal control over financial reporting of Stantec Inc., included in the Annual Report (Form 40-F) for the year ended December 31, 2013, filed with the Securities and Exchange Commission.

Ernst & Young LLP

Edmonton, Canada
February 26, 2014

Chartered Accountants

Exhibit 99.5

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

I, **ROBERT J. GOMES**, certify that:

1. I have reviewed this annual report on Form 40-F of Stantec Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

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

Date: February 26, 2014

/s/ Robert J. Gomes
ROBERT J. GOMES, P. ENG
President & Chief Executive Officer

Exhibit 99.6

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

Stantec Inc. (the "Company") is filing its annual report on Form 40-F for the fiscal year ended December 31, 2013 (the "Report") with the United States Securities and Exchange Commission.

I, Robert J. Gomes, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2014

/s/ Robert J. Gomes
ROBERT J. GOMES, P. ENG
President & Chief Executive Officer

Exhibit 99.7

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

I, **DANIEL J. LEFAIVRE**, certify that:

1. I have reviewed this annual report on Form 40-F of Stantec Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

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

Date: February 26, 2014

/s/ Daniel J. Lefaivre
DANIEL J. LEFAIVRE, FCMA
Executive Vice President & Chief Financial Officer

Exhibit 99.8

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

Stantec Inc. (the "Company") is filing its annual report on Form 40-F for the fiscal year ended December 31, 2013 (the "Report") with the United States Securities and Exchange Commission.

I, Daniel J. Lefaivre, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2014

/s/ Daniel J. Lefaivre
DANIEL J. LEFAIVRE, FCMA
Executive Vice President & Chief Financial Officer

Stantec Inc.
Code of Ethics Policy

October 31, 2012

Policy

Stantec conducts business in accordance with high ethical, moral and legal standards, efficiently, in good faith, with due care, and in the best interests of the Company, its employees, shareholders, and other stakeholders. Stantec maintains business practice standards that will earn the respect of everyone with whom the Company conducts business.

Practice

The following standards are intended to protect the Company's reputation and the quality of its services, as well as to serve the best interests of its clients, employees, and shareholders.

Application

The Stantec Code of Ethics applies to all employees and is not intended to be exhaustive. Employees are expected to conduct themselves in the performance of their duties with high ethical, moral, and legal standards.

Dealing with Each Other

Stantec understands that effective relationships are based on the recognition of the value and worth of each individual and that it is necessary to provide a working climate that is conducive to the success and well-being of all employees. Stantec works to create an atmosphere of mutual trust and respect by being honest, fair, and consistent. Stantec treats all employees fairly and impartially and strives to consistently follow Company policies and practices. Stantec employees listen to one another and foster open and honest communications. Stantec values the opinion of employees, respects their diverse backgrounds, encourages communication among employees, and solicits ideas and suggestions to improve or benefit the Company.

Stantec prohibits the use by its employees of any social or other media to post or display comments about coworkers, supervisors, clients or the Company that are vulgar, obscene, threatening, intimidating, harassing, or a violation of Stantec's workplace policies against discrimination, harassment, or violence.

Dealing with Shareholders

Stantec is committed to protecting and improving shareholder value through the prudent use of Company resources and by observing high standards of legal and ethical conduct in all its business dealings. The Company communicates with shareholders regularly, candidly, and promptly, providing the information necessary to evaluate its management and investment value.

Dealing with Clients

Serving clients is the essence of Stantec's business. Meeting our clients' expectations and providing good value are the best ways to ensure ongoing demand for our services. Stantec will accurately represent its services and clearly communicate the terms under which these services are provided.

Dealing with Subconsultants and Suppliers

Stantec is committed to the fair treatment of subconsultants and suppliers and will select subconsultants and suppliers who provide the best value for the Company and its clients while also respecting its clients' wishes.

Proprietary Information Belonging to the Company

Employees must maintain the confidentiality of the Company's proprietary information. Examples of proprietary information include strategic plans, client lists, marketing plans, rate tables, and much of the technical information that the Company generates or uses in its business. The disclosure or misuse of Stantec's business information can harm the Company's competitive position and/or reputation and may be a violation of applicable laws. Employees, therefore, must not disclose business information outside the Company unless they are authorized and legal to do so.

Proprietary Information of Others

Stantec regularly receives proprietary information from its clients, subconsultants, and suppliers. The wrongful possession or use of any proprietary information of any third party is prohibited. Employees may use lawfully obtained proprietary information only for the purpose for which it is provided. If an employee is offered, or comes into, unauthorized possession of third-party proprietary information, the employee must decline the offer and take appropriate steps, if applicable, to return the information.

Abiding by the Law

Wherever Stantec operates, it will at all times comply with applicable laws and regulations. In acting on behalf of Stantec, no employee shall, at any time, take any action which they know or reasonably should know to be in violation of any applicable law or regulation. Any time an employee is uncertain about the application or interpretation of a law or regulation, they should consult their supervisor who, in case of doubt, should seek the opinion of the Company's Risk Management team.

Improper Payments

No payment will be made by, or improper benefit conferred on behalf of, the Company either directly or indirectly to government officials, political candidates, or officers or employees of clients, subcontractors, suppliers, or competitors that violates applicable laws. Bribes, facilitation payments and trading in influence are strictly prohibited. Employees working outside North America should familiarize themselves with Stantec's policy regarding foreign business practices.

Personal Business

Personal business should not be conducted during normal working hours. Any/all personal business activities should be confined to after hours or lunch breaks and should be consistent with Stantec's Moonlighting and Conflict of Interest policies and practices.

Reporting Violations of the Stantec Code of Ethics

An employee who becomes aware of a violation of this code, or who believes that a violation may take place in the future, must report the matter. Ordinarily, the report should be made to the employee's immediate supervisor who, in turn, must report it to the Company's general counsel. If the supervisor takes no action or the employee feels that it would be appropriate to report to a person in higher authority, the employee should bring the matter to the attention of the general counsel. Requests for anonymity will be respected to the extent that this does not result in the violation of the rights of another employee.

Reporting Violations of the Law

In addition to reporting violations of the Company's Code of Ethics, it is Stantec's policy to protect employees against unlawful discrimination or retaliation by their employer as a result of lawfully reporting information regarding, or participating in, investigations that involve corporate fraud or other violations of applicable law by the Company or its employees. For further information, refer to Stantec's Integrity policy.

Compliance Responsibilities

Stantec's Code of Ethics is to be strictly followed at all times and under all circumstances. Any violation will subject an employee to disciplinary action up to and including termination. To protect its employees, shareholders, and other stakeholders, the Company has designated its general counsel as the individual who is responsible for administering and overseeing the compliance and reporting process of this code. The general counsel will refer submitted complaints as he or she determines to be appropriate, or as required under the directives of the Stantec Board of Directors, to the chief executive officer, the chief operating officer, the vice president of Human Resources, the chair of the board, or an appropriate committee of the board.

Stantec and all of its employees benefit from an atmosphere of good ethical conduct. Employees are encouraged to discuss with their supervisor or regional Human Resources coordinator, or, if they prefer, with the Company's general counsel, any situations of existing or potential noncompliance involving themselves or others.