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

FORM 40-F

o REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934
OR
x ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2008**
Commission file number: **001-32562**

STANTEC INC.

(Exact name of Registrant as specified in its charter)

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

Canada

(Province or other jurisdiction of incorporation or organization)

8711

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

N/A

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

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

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

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

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

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

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

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

None.

(Title of Class)

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

None.

(Title of Class)

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

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

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

As of December 31, 2008 – 45,448,123 Common Shares outstanding.

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

Yes [ ] No [Ö]

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

Yes [Ö] No [ ]

DISCLOSURE CONTROLS AND PROCEDURES

The disclosure provided under “Controls and Procedures” on page M-55 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 4 and is incorporated by reference herein.

AUDITOR ATTESTATION

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

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The disclosure provided under “Controls and Procedures” on page M-55 of Exhibit 2, Management’s Discussion and Analysis, is incorporated by reference herein.

IDENTIFICATION OF THE AUDIT COMMITTEE

On December 31, 2008, Stantec’s audit committee was made up of the following three members: Ivor M. Ruste (Chair), Susan E. Hartman, and Robert R. Mesel.

AUDIT COMMITTEE FINANCIAL EXPERT

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

CODE OF ETHICS

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

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

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The disclosure provided under “External Auditor Service Fees” on page 13 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 13 of Exhibit 1, Annual Information Form, is incorporated by reference herein.

OFF-BALANCE SHEET ARRANGEMENTS

The disclosure provided under “Off-Balance Sheet Arrangements” on page M-33 of Exhibit 2, Management’s Discussion and Analysis, is incorporated by reference herein.

CONTRACTUAL OBLIGATIONS

The disclosure provided under “Contractual Obligations” on page M-33 of Exhibit 2, Management’s Discussion and Analysis, is incorporated by reference herein.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

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

B. Consent to Service of Process

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

Signatures

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

STANTEC INC.

Date: February 26, 2009

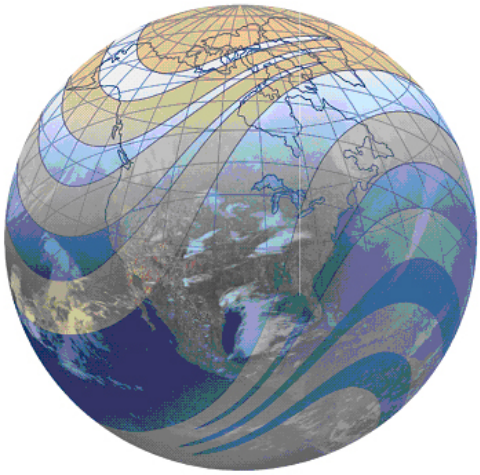
By: /s/ Anthony P. Franceschini

Anthony P. Franceschini
President and Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Description
1.	Annual Information Form dated February 26, 2009
2.	Management's Discussion and Analysis for the year ended December 31, 2008 (pages M-1 through M-57 of the 2008 Financial Review)
3.	2008 Audited Consolidated Financial Statements (pages F-1 through F-38 of the 2008 Financial Review)
4.	Consent of Ernst & Young LLP
5.	Officers' Certifications required by Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002
6.	Officers' Certifications required by Rule 13a-14(b) or Rule 15d-14(b) pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002

Exhibit 99.1



STANTEC
ANNUAL INFORMATION FORM

FEBRUARY 26, 2009

STN
TSX · NYSE

Stantec

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Caution Regarding Forward-Looking Statements

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

Statements of this type are contained in this report, including the discussion of our goals in the Visions, Core Business, and Strategy section and of our annual and long-term targets and expectations for our practice areas in the Results and Outlook sections of our management's discussion and analysis for the year ended December 31, 2008, which have been incorporated by reference to this report as described on page 6 of this report, 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 2009 and beyond, our strategies or future actions, our targets, our expectations for our financial condition or share price, or the results of or outlook for our operations.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on its forward-looking statements since a number of factors could cause actual future results, conditions, actions, or events to differ materially from the targets, expectations, estimates, or intentions expressed in these forward-looking statements. Assumptions about the performance in 2009 of the Canadian and US economies and how this performance will affect our business are material factors we consider in determining our forward-looking statements and are discussed in the Outlook section of our management's discussion and analysis for the year ended December 31, 2008, filed on www.sedar.com and incorporated by reference.

For additional information regarding material risks and assumptions, please see our discussion on pages M-2 to M-3 of our management's discussion and analysis for the year ended December 31, 2008, and incorporated by reference.

We caution that the foregoing list is not exhaustive of all possible factors and that other factors could adversely affect our results. Investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. The forward-looking statements contained herein represent our expectations as of February 26, 2009, and, accordingly, are subject to change after such date. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made, from time to time, by the organization or on its behalf. In the case of the ranges of expected performance for fiscal 2009, 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.

CORPORATE STRUCTURE

Name, Address, and Incorporation

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

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

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

References in this annual information form to "Stantec" and the "Company" include, as the context may require, Stantec Inc. and all or some of the companies in which it has an interest collectively or one or more of such companies. References in this annual information form to "our," "us," or "we" also refer to "Stantec" in the contexts explained above.

Intercorporate Relationships

The following chart lists, as at December 31, 2008, the intercorporate relationships among Stantec and Stantec's subsidiaries, the jurisdiction of incorporation of the companies, and the percentage of voting and restricted securities held by Stantec:

STANTEC INC.

SUBSIDIARY	PERCENTAGE OF VOTING SHARES	PERCENTAGE OF RESTRICTED SHARES*	JURISDICTION OF INCORPORATION
3102452 Nova Scotia Company	100	n/a	Nova Scotia
3221969 Nova Scotia Company	100	100	Nova Scotia
ACCENT Engineering Consultants Incorporated	40	n/a	Nova Scotia
BVE Development, LLC	100	n/a	Pennsylvania
Coleson Power Group Inc.	50	n/a	New Brunswick
FFEB JV, L.L.C.	30	n/a	Delaware
GKO Power Engineering Ltd.	100	n/a	Alberta
International Insurance Group Inc.	100	n/a	Barbados
Pentacore ADA Consulting, LLC	100	n/a	Nevada
Planning & Stantec Limited	51	n/a	Trinidad and Tobago
RiverMorph, LLC	100	n/a	Kentucky
SEA, Incorporated	100	100	Nevada
SSBV Consultants Inc.	33 1/3	n/a	British Columbia
SECOR Internacional Guatemala S.A.[1]	100	n/a	Guatemala
SECOR Internacional Panama, S.A.[1]	100	n/a	Panama
SECOR Internacional S.A.[1]	100	n/a	Colombia
SECOR International Ltd.[1]	100	n/a	Cayman Islands
Stantec Architecture Inc.	0[2]	n/a	North Carolina
Stantec Architecture Ltd.	0[2]	n/a	Canada
Stantec Consulting Caribbean Ltd.	100	n/a	Barbados
Stantec Consulting Corporation[1]	100	n/a	Delaware
Stantec Consulting Inc.	100	100	Arizona
Stantec Consulting International LLC[3]	100	n/a	Arizona
Stantec Consulting International Ltd.	100	100	Canada

SUBSIDIARY	PERCENTAGE OF VOTING SHARES	PERCENTAGE OF RESTRICTED SHARES*	JURISDICTION OF INCORPORATION
Stantec Consulting Ltd.	100	100	Canada
Stantec Consulting Massachusetts P.C.	0[2]	n/a	Massachusetts
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 Engineering Limited[3]	100	n/a	Canada
Stantec Engineering (Puerto Rico) P.S.C.	0[2]	n/a	Puerto Rico
Stantec Geomatics Ltd.	50[2]	100	Alberta
Stantec Holdings (Delaware) III Inc.	100	100	Delaware
Stantec Holdings Ltd.	100	100	Alberta
Stantec Holdings II Ltd.	100	n/a	Alberta
Stantec International Enterprises Limited	100	100	Bahamas
Stantec International Limited	100	n/a	Barbados
Stantec Planning and Landscape Architecture P.C.	0[2]	n/a	Maine
Stantec Planning and Landscape Architecture P.C.	0[2]	n/a	New York
Stantec Technology International Inc.	100	100	Delaware
Teshmont Consultants Inc.	50	n/a	Canada
UEI Associates, Inc.	100	n/a	Texas
UEI Global I, Inc.	100	n/a	Texas
Universal Energy do Brasil Ltda.	100	n/a	Brazil

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

1 Acquired as part of the acquisition of the SECOR companies. See the General Development of the Business section below and the acquisition section of the Description of the Business on page 7.
2 Stantec has entered into an agreement with respect to 100% of the voting shares of this corporation that allows it to direct control over any disposition of the voting shares of this corporation.
3 Acquired as part of the acquisition of McIntosh Engineering Holdings Corporation. See the General Development of the Business section below and the acquisition section of the Description of the Business on page 7.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

We have acquired a number of firms in Canada and the United States. The acquisitions completed in 2008 are as follows:

January, 2008	Rochester Signal, Inc
	The Zande Companies, Inc. (R.D. Zande)
February, 2008	SII Holdings, Inc. (Secor International Incorporated)
March, 2008	RHL Design Group, Inc.
July, 2008	McIntosh Engineering Holdings Corporation

The acquisitions completed in 2007 and 2006 are described under Description of the Business. It is anticipated that effective May 15, 2009, Robert (Bob) Gomes will succeed Anthony Franceschini as our next president and chief executive officer.

Donald W. Wilson, senior vice president and chief financial officer retired from his role on December 31, 2008. Daniel J. Lefaivre assumed the senior vice president and chief financial officer role effective January 1, 2009.

William D. Grace stepped down from the board of directors at the May 1, 2008, annual meeting.

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

During 2007, we completed 11 acquisitions as described in Description of Business – Acquisitions.

Effective May 17, 2006, we subdivided our shares on a two-for-one basis. During 2006, we completed 3 acquisitions as described in Description of Business - Acquisitions.

For additional information regarding the general development of Stantec's business and our strategies for the upcoming year, see pages M-3 to M-9, M-18 to M-20, and M-35 to M-37 of Stantec's 2008 management discussion and analysis incorporated by reference and filed on www.sedar.com.

DESCRIPTION OF THE BUSINESS

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

We use a three-dimensional business model which is built on (1) geographic diversification, (2) practice area specialization, and (3) provision of services in all phases of a project's life cycle. This model allows us to manage risk while pursuing our objective of continued revenue and earnings growth.

The following chart illustrates the breakdown of gross revenue for 2008 and 2007 for Consulting Services:

	2008		2007	
Units	**(C$millions)**	**%**	**(C$millions)**	**%**
Consulting Services	$ 1,351.9	100%	$ 954.6	100%

For additional information regarding Stantec's business practice areas, see pages M-4 to M-7 of the 2008 management discussion and analysis, which pages are incorporated herein by reference.

Acquisitions

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

Year	Business Acquired	Nature of Business
2008	McIntosh Engineering Holdings Corporation	Provides services in mine conceptualization through mine feasibility, detail engineering and design for construction, procurement and construction management. Principally located in Arizona and Ontario.
2008	RHL Design Group, Inc.	Provides program and project management and comprehensive integrated design services, including engineering, architecture, permitting, compliance, and environmental services, principally in California.
2008	SII Holdings, Inc. (Secor International Incorporated)	Provides environmental consulting and engineering services to the private sector and is one of the largest providers of downstream marketing remedial services to the US energy industry, principally in Washington.
2008	Rochester Signal, Inc.	Provides signal design, construction management, installation and testing services, and other engineering support to all types of rail systems principally in New York.
2008	The Zande Companies, Inc. (R.D. Zande)	Provides civil and environmental engineering services located principally in Ohio, with additional offices in West Virginia, Kentucky, Pennsylvania, and Georgia.
2007	Fuller, Mossbarger, Scott & May Engineers, Inc. (including Leestown Leasing, L.L.C.)	Provides services in civil, environmental, geotechnical, structural, and water resources engineering, primarily in Kentucky with additional offices in Ohio, Missouri, Indiana, Georgia, and Tennessee.
2007	Moore Paterson Architects Inc.	Provides architecture, planning, and project management services to Vancouver Island and the Lower Mainland.
2007	Murphy Hilgers Architects Inc. (including Brentcliffe Financial Services Inc. and Dekko Studio Inc.)	Provides planning and design services in Ontario.
2007	Neill and Gunter, Incorporated (including Neill and Gunter Limited and Neill and Gunter (Nova Scotia) Limited)	Provides consulting engineering services to the industrial sector from principal offices in New Brunswick, Nova Scotia, and Maine.
2007	Woodlot Alternatives, Inc.	Provides services in natural resource assessment, permitting, and environmental engineering, principally in the US Northeast from its office base in Maine.
2007	Chong Partners Architecture, Inc.	Provides services in architecture, interior design, and planning, principally in California.
2007	Trico Engineering Consultants, Inc.	Provides services in civil engineering, surveying, landscape architecture, and planning in South Carolina.
2007	Geller DeVellis Inc.	Provides planning, landscape architecture, and civil engineering services, principally in Massachusetts.
2007	Land Use Consultants, Inc.	Provides planning, landscape architecture, and civil engineering services, principally in Maine.
2007	Vollmer Associates LLP	Provides engineering, architecture, planning, landscape architecture, and survey services, principally in the transportation sector in the US Northeast.
2007	Nicolson Tamaki Architects Inc.	Provides architecture services in British Columbia.
2006	Carinci Burt Rogers Engineering, Inc.	Provides electrical engineering consulting services in Ontario.
2006	Dufresne-Henry, Inc.	Provides multidiscipline engineering and consulting services in the New England states, New York, and Florida.
2006	ACEx Technologies, Inc.	Provides communications system engineering services, principally in the transportation sector.

Research and Development

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

Employees

As at December 31, 2008, we had approximately 8,700 staff. This total staff number comprises 4,700 professionals, 2,800 technologists and technicians, and 1,200 support personnel. The Jacques Whitford transaction closed as of January 2, 2009, adding approximately 1,700 employees.

We are a knowledge-based organization and are always seeking talented and skilled professionals in all of our specialist practice areas. Since the supply of qualified candidates is sometimes limited, we use various recruitment strategies to address staffing needs. Examples of our recruitment strategies include an employee referral bonus program, web site job postings, career fairs, student programs, and the ability to offer geographic mobility.

Competitive Conditions

We work in highly competitive markets and have numerous competitors for all the services we offer. The number and identity of competitors vary widely with the type of service we provide. Moreover, for small to medium-sized projects, we compete with many engineering, architecture, and other professional consulting firms. For larger projects, there are fewer but still many competitors; however, some of these competitors have greater financial and other resources than ours. Although we compete with other large private and public companies in certain geographic locations, our primary competitors are small to midsize privately held regional firms in the United States and Canada.

We believe that our operating structure, our operating philosophy, our enterprise systems, and the mix and breadth of our professional services differentiate us from other engineering, architecture, and professional consulting firms. Furthermore, we focus on small to midsize projects which differentiates us from some larger competitors.

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

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

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

Social or Environmental Policies

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

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

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

International Operations

We conduct a portion of our business outside Canada and the United States, and generated revenue during 2008 working on projects in more than 30 countries. Specifically, international operations include operating offices in Barbados, Puerto Rico and Panama, as well as significant ongoing workload on projects in the Bahamas, Barbados, Australia, Colombia, Costa Rica, Ireland, Indonesia, Mexico, Mongolia, Panama, Peru, Saudi Arabia, South Africa, Trinidad & Tobago, and Tanzania. Such operations accounted for approximately 2% of our revenues in 2008. Some of this work involves political risk, contracts with foreign clients, and working under foreign legal systems.

Dividend Policy

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

RISK FACTORS

Please refer to our 2008 management's discussion and analysis pages M-44 to M-55 and filed on SEDAR at www.sedar.com and incorporated by reference herein.

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized share capital consists of an unlimited number of preferred shares, issuable in series, and an unlimited number of common shares, of which, as at December 31, 2008, no preferred shares and 45,448,123 common shares have been issued and are outstanding.

Escrowed Securities and Securities Subject to Contractual Restriction on Transfer

In connection with the acquisition of The Keith Companies, Inc. certain former holders of shares of The Keith Companies, Inc. were granted shares subject to restrictions on transfer which mirror the restrictions previously imposed on the holders of The Keith Companies, Inc. shares (the Keith restricted shares). As at December 31, 2007, 5,792 Keith restricted shares were issued and outstanding. During 2008, restrictions were removed from 3,520 Keith restricted shares, and 2,272 Keith restricted shares were returned for cancellation, with the result that, as at December 31, 2008, no Keith restricted shares were issued and outstanding. The material rights, privileges, restrictions, and conditions attached to the preferred shares and the common shares are summarized below.

Preferred Shares

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

Common Shares

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

MARKET FOR SECURITIES

Our common shares are listed for trading on the TSX and NYSE under the symbol STN. The intraday trading information on the TSX for the period from January 1, 2008, to December 31, 2008, is set out in the following table:

Month	High	Low	Volume
January	$ 40.10	$ 29.28	3,636,655
February	$ 35.25	$ 31.40	3,817,696
March	$ 32.74	$ 27.55	4,009,439
April	$ 30.98	$ 28.80	3,779,343
May	$ 31.50	$ 28.01	3,158,761
June	$ 29.82	$ 25.41	5,669,120
July	$ 28.50	$ 21.80	4,856,723
August	$ 30.82	$ 26.50	2,141,858
September	$ 30.70	$ 24.23	2,732,446
October	$ 25.61	$ 16.35	4,396,321
November	$ 24.00	$ 16.51	3,739,402
December	$ 31.14	$ 21.00	6,872,181
			48,809,945

The intraday trading information on the NYSE for the period from January 1, 2008, to December 31, 2008, is set out in the following table:

Month	High	Low	Volume
January	$ 40.30	$ 28.65	651,302
February	$ 35.39	$ 31.25	321,200
March	$ 33.00	$ 27.07	436,332
April	$ 30.69	$ 28.24	739,079
May	$ 30.69	$ 28.00	601,230
June	$ 29.60	$ 25.12	591,442
July	$ 27.82	$ 21.78	525,597
August	$ 29.27	$ 25.82	433,403
September	$ 29.48	$ 22.93	607,300
October	$ 23.69	$ 12.70	1,511,277
November	$ 20.48	$ 12.85	1,097,102
December	$ 25.71	$ 16.66	1,031,199
			8,546,463

DIRECTORS AND OFFICERS

The following table lists the directors of Stantec Inc., current to February 26, 2009, their municipality of residence, and their principal occupation within the five preceding years:

Directors of Stantec

Name and Municipality of Residence	Principal Occupation	Director since
ROBERT J. BRADSHAW[1] Toronto, Ontario, Canada	Corporate Director	1993
ANTHONY P. FRANCESCHINI Edmonton, Alberta, Canada	President & CEO of Stantec	1994
SUSAN E. HARTMAN[1, 2] Rochester, New York, USA	President and CEO of The Hartman Group (a management consulting firm)	2004
ARAM H. KEITH Irvine, California, USA	Vice Chairman of the Board of Stantec	2005
ROBERT R. MESEL[2] Kiawah Island, South Carolina, USA	Corporate Director	2004
IVOR M. RUSTE[2] Calgary, Alberta, Canada	Executive Vice President and Chief Risk Officer, EnCana Corporation (an unconventional natural gas and integrated oil company)	2007
RONALD TRIFFO[1] Edmonton, Alberta, Canada	Chairman of the Board of Stantec	1985

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

All directors are elected annually. With the exception of Aram H. Keith, who, prior to September 15, 2005, was the chief executive officer and chairman of the Board of The Keith Companies, Inc. (an engineering and consulting firm), a position he held since 1983, Ivor M. Ruste, who, just prior to joining EnCana Corporation in May 2006, was the Alberta regional managing partner and vice chair of the KPMG Canada Board of Directors and who, from 1998 until 2006, was the managing partner of the Edmonton office of KPMG LLP (an international audit, tax, and advisory services firm), and Robert J. Bradshaw, who, prior to January 30, 2009, was the chairman of Contor Industries (a holding company that acquires manufacturing companies), each of the directors of Stantec has been engaged for more than five years in their present principal occupation or in other capacities with the company or organization (or a predecessor thereof) in which they currently hold their principal occupation.

The following table lists the executive officers of Stantec, current to February 26, 2009, their municipality of residence, and their principal occupation within the five preceding years:

Non-Executive and Executive Officers of Stantec

Name and Municipality of Residence	Principal Occupation	Officer Positions Held
Non-Executive Officers of Stantec Inc.		
RONALD TRIFFO Edmonton, Alberta, Canada	Chairman of the Board	Chairman of the Board of Stantec Inc.
ARAM H. KEITH Irvine, California, USA	Vice Chairman of the Board	Vice Chairman of the Board of Stantec Inc.
Executive Officers of Stantec Inc.		
ANTHONY P. FRANCESCHINI Edmonton, Alberta, Canada	President & CEO	President & CEO of Stantec Inc.

Name and Municipality of Residence	Principal Occupation	Officer Positions Held
DANIEL J. LEFAIVRE St. Albert, Alberta, Canada	Senior Vice President & CFO	Senior Vice President & CFO of Stantec Inc.
MARK E. JACKSON Waterloo, Ontario, Canada	Senior Vice President & COO	Senior Vice President & COO of Stantec Inc.
JEFFREY S. LLOYD Edmonton, Alberta, Canada	Vice President, Secretary & General Counsel	Vice President, Secretary & General Counsel of Stantec Inc.
Other Executive Officers		
W. PAUL ALLEN Elmira, Ontario, Canada	Corporate Practice Area Unit Leader, Urban Land	Senior Vice President of certain Stantec Inc. subsidiaries
RICHARD ALLEN Canton, Massachusetts, USA	Regional Operating Unit Leader, US East	Senior Vice President of certain Stantec Inc. subsidiaries
CARL F. CLAYTON Edmonton, Alberta, Canada	Corporate Practice Area Unit Leader, Transportation	Senior Vice President of certain Stantec Inc. subsidiaries
VALENTINO DIMANNO Calgary, Alberta, Canada	Regional Operating Unit Leader, Canada	Senior Vice President of certain Stantec Inc. subsidiaries
ROBERT J. GOMES Edmonton, Alberta, Canada	Corporate Practice Area Unit Leader, Industrial	Senior Vice President of certain Stantec Inc. subsidiaries
JEFFERY KISHEL Longmont, Colorado, USA	Corporate Practice Area Unit Leader, Environment	Senior Vice President of certain Stantec Inc. subsidiaries
ERIC C. NIELSEN Santa Ana, California, USA	Regional Operating Unit Leader, US West	Senior Vice President of certain Stantec Inc. subsidiaries
STANIS I.R. SMITH Burnaby, British Columbia, Canada	Corporate Practice Area Unit Leader, Buildings	Senior Vice President of certain Stantec Inc. subsidiaries
ROBERT YOUDEN St. John, New Brunswick, Canada	Former CEO of Jacques Whitford[1]	Senior Vice President of certain Stantec Inc. subsidiaries

[1] Following the acquisition of Jacques Whitford, Mr. Youden accepted the appointment of senior vice president of Stantec. Mr. Youden's initial primary focus is on the integration of Jacques Whitford with Stantec, and his role within Stantec will continue to evolve as the integration proceeds.

All the above executive officers have held their present position or other positions with us for the past five years, except for Aram H. Keith, who, prior to September 15, 2005, was the chief executive officer and chairman of the Board of The Keith Companies, Inc. (an engineering and consulting firm); Daniel J. Lefaivre, who prior to January 1, 2009, was Stantec's vice president, finance and treasury; Richard Allen, who, prior to April 17, 2006, was president and chief executive officer of Dufresne-Henry, Inc. (an engineering and consulting firm); Jeffery Kishel, who, prior to November 11, 2006, was senior vice president, Strategic Development and Client Services of MWH (an engineering and consulting firm); Eric C. Nielsen, who, prior to September 15, 2005, was president and chief operating officer of The Keith Companies, Inc. (an engineering and consulting firm); and Robert Youden who, prior to January 2, 2009, was chief executive officer of Jacques Whitford.

As a group, our directors and officers beneficially owned, controlled or directed, directly or indirectly, 1,831,913 common shares representing 4% of the issued and outstanding common shares.

AUDIT COMMITTEE INFORMATION

Audit Committee Terms of Reference

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

Composition of the Audit Committee

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

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

Ivor M. Ruste is EnCana's executive vice president and chief risk officer. He has a bachelor of commerce (with distinction) from the University of Alberta and is a Fellow Chartered Accountant. From 1998 to 2006, he was the managing partner of the Edmonton office of KPMG LLP (an international audit, tax, and advisory services firm) and, just prior to joining EnCana in May 2006, was the Alberta regional managing partner and vice chair of the KPMG Canada Board of Directors. Mr. Ruste has been involved over the past 28 years in numerous other business, community, and professional activities. As of December 31, 2008, Mr. Ruste owned 1,500 common shares valued at $45,225, and 6,400 deferred share units valued at $192,960.

Susan E. Hartman holds a bachelor of science in chemistry and has diverse experience in strategic planning, business management, mergers and acquisitions, operations, and international business development. In 1993 she started her own management consulting firm, The Hartman Group. Ms. Hartman continues as president and owner of The Hartman Group, leading the company's consulting services in the area of strategic and operational planning, overall business assessment, process optimization, and project management. She was recently appointed to the boards of Electri-Cord Manufacturing Co., Pierce Industries, and Unity Health Systems. As of December 31, 2008, Ms. Hartman owned 4,650 common shares valued at $140,198, and 13,600 deferred share units valued at $410,040.

Robert R. Mesel is an experienced business professional with expertise in business development, administration, accounting, and finance. Prior to his retirement in 1998, Mr. Mesel was a director and/or trustee for a number of organizations, including the Financial Executives Institute (Northeast Ohio Chapter), the Ohio Council for Economic Education, the Greater Cleveland Salvation Army, and Canisius College. Mr. Mesel completed his bachelor of business administration in accounting at Canisius College, his master of business administration at State University of New York at Buffalo, and the advanced management program at Harvard Business School. He is also the past president of BP Chemicals Inc. and Chase Brass & Copper Company. As of December 31, 2008, Mr. Mesel owned 5,000 common shares valued at $150,750, and 13,600 deferred share units valued at $410,040.

Preapproval Policy

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

External Auditor Service Fees

Aggregate fees paid to Ernst & Young LLP, our external auditor, during the fiscal years ended December 31, 2008 and 2007, were as follows:

Category	Note	2008	2007
Audit Fees	1	C$1,156,000	C$1,021,000
Audit-Related Fees	2	25,000	11,000
Tax Fees	3	945,000	695,000
Total		C$2,126,000	C$1,727,000

1 Audit Fees - audit services provided by Ernst & Young LLP for the audit and review of Stantec's financial statements or services normally provided by Ernst & Young LLP in connection with statutory and regulatory filings or engagements.
2 Audit-Related Fees - assurance and related services provided by Ernst & Young LLP that are reasonably related to the performance of the audit or review of the financial statements and are not reported under "Audit Fees."
3 Tax Fees - professional services rendered by Ernst & Young LLP for tax compliance, tax advice, and tax planning, including tax advice relating to potential business acquisitions.

LEGAL PROCEEDINGS

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

TRANSFER AGENT

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

MATERIAL CONTRACTS

We did not enter into any material contracts outside the ordinary course of business in 2008. We consider the acquisition of professional services firms to be in the ordinary course of our business.

INTERESTS OF EXPERTS

Ernst & Young LLP, Chartered Accountants, 1800 Scotia 2, Scotia Place, 10060 Jasper Avenue, Edmonton, Alberta, T5J 3R8 are the auditors of the Corporation.

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

ADDITIONAL INFORMATION

Financial information is provided in our consolidated financial statements and management's discussion and analysis for our most recently completed financial year. Additional information, including directors' and officers' remuneration and indebtedness, the principal holders of our securities, and securities authorized for issuance under equity compensation plans, will be contained in our management information circular. Copies of this annual information form, as well as our latest management information circular and annual report (which includes our consolidated financial statements and management's discussion and analysis) for the year ended December 31, 2008, may be obtained from our web site at www.stantec.com or by mail on request from the secretary, 10160 – 112 Street, Edmonton, Alberta, T5K 2L6. You may also access disclosure documents and any reports, statements, or other information that we file with the Canadian provincial securities commissions or other similar regulatory authorities through the Internet on SEDAR at www.sedar.com.

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.

A. Overview and Purpose

The Audit 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 (if any) and the external auditors. The committee also ensures the qualifications and independence of the external auditors. The committee has oversight of the corporation's compliance with legal and regulatory requirements.

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

B. Authority and Responsibilities

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

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

Provide reports and minutes of meetings to the board.

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

C. Membership

The members of the committee shall be composed of three independent directors, appointed by the board, all of whom must be financially literate 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 National Instrument 52-110 of the Canadian Securities Administrators.

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

Attendance by invitation at all or a portion of committee meetings is determined by the committee chair or its members and would normally include the 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.
2. Review, and recommend to the board for approval, the following public disclosure documents:
    (a) The financial content of the annual report
    (b) The annual management information circular and proxy materials
    (c) The annual information form, including any regulatory requirements for audit committee reporting obligations
    (d) The management discussion and analysis section of the annual report

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

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

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

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

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

8. Review with management on an annual basis, the corporation's obligations pursuant to guarantees (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) The impact of the corporation's capital structure on current and future profitability

    (e) Any off-balance sheet structures

    (f) 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.

E. External Auditor

12. 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.

13. 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

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

15. 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.

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

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

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

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

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

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

    (b) Any significant accounting or financial reporting issues

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

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

    (e) The 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

21. 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.

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

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

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

F. Internal Audit

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

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

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

    (a) Staffing

    (b) Objectives and scope of the internal audit work

    (c) Materiality limits

    (d) Audit reports required

    (e) Areas of audit risk

    (f) Timetable

    (g) The proposed budget

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

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

    (b) Any significant accounting or financial reporting issues

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

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

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

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

G. Internal Controls

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

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

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

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

34. 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. Compliance/Risk/Fraud

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

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

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

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

39. 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.

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

41. On an annual basis, review the adequacy of the corporation's insurance program.

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

I. Other

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

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

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

46. Conduct a biannual assessment of the effectiveness of the committee and provide a report thereon to the board.

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

J. Meetings

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

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

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

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

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

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

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

55. 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.

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

Exhibit 99.2



A SOLID FOUNDATION FOR THE FUTURE

STANTEC INC.
2008 FINANCIAL REVIEW

Stantec

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This book is part of a two-part publication. It focuses on Stantec Inc.'s 2008 financial and operating results. For a more general overview of our Company, refer to our 2008 Business Review. Our 2008 Financial Review and Business Review can be viewed on-line at www.stantec.com under the Investor Relations section.

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 25, 2009

This discussion and analysis of Stantec Inc.'s operations and financial position, dated February 25, 2009, should be read in conjunction with the Company's 2008 audited consolidated financial statements and related notes. Our 2008 audited consolidated financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in Canada, which differ in certain respects from GAAP in the United States. Note 24 of the audited consolidated financial statements summarizes the principal differences between Canadian GAAP and US GAAP that affect our financial statements. Unless otherwise indicated, all amounts shown below are in Canadian dollars. Additional information regarding the Company, including our Annual Information Form, is available on SEDAR at www.sedar.com. Such additional information is not incorporated by reference and should not be deemed to be made part of this Management's Discussion and Analysis.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

Statements of this type are contained in this report, including the discussion of our goals in the Visions, Core Business, and Strategy section and of our annual and long-term targets and expectations for our practice areas in the Results and Outlook sections, and may be contained in filings with securities regulators or in other communications. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives for 2009 and beyond, our strategies or future actions, our targets, our expectations for our financial condition or share price, or the results of or outlook for our operations.

We provide forward-looking information for our business (i.e., in relation to our 2018 international growth target and our goals for each of our practice areas) in the Vision, Core Business, and Strategy section as well as the Results (under the Overall Performance, Gross and Net Revenue: 2008 versus 2007 and Liquidity and Capital Resources subheadings) and Outlook sections of this report in order to describe management expectations and targets by which we measure our success and to assist our shareholders in understanding our financial position as at and for the periods ended on the dates presented in this report. Readers are cautioned that this information may not be appropriate for other purposes.

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

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

Market Risks

- If we need to sell or issue additional common shares and/or incur additional debt to finance future acquisitions, our share ownership could be diluted and the results of our operations could be adversely affected.
- We may be unable to secure the additional capital required to fund our acquisition strategy, which could lead to a reduction in our market share and competitiveness.
- Economic downturns could have a negative impact on our business since our clients may curtail investment in infrastructure projects or may experience difficulty in paying for services performed.
- The professional consulting services industry is highly competitive, which could have a negative impact on our profit margins and market share.
- We derive significant revenue from contracts with government agencies; thus, any disruption in government funding or in our relationship with those agencies could adversely affect our business.
- Because we report our results in Canadian dollars and a substantial portion of our revenue and expenses is recorded in US dollars, our results are subject to currency exchange risk.
- Our share price has historically been subject to volatility. Accordingly, the price of our common shares may decrease in the future due to a number of Company- and industry-specific or general economic factors.

Operating Risks

- The nature of our business exposes us to potential liability claims and contract disputes, which may reduce our profits.
- Interruption to our systems and network infrastructure could adversely impact our ability to operate.
- If we experience delays and/or defaults in customer payments, we could suffer liquidity problems or be unable to recover our expenditures.
- One of our primary competitive advantages is our reputation. If our reputation is damaged due to client dissatisfaction, our ability to win additional business may be materially damaged.
- Inadequate internal controls or disclosure controls may result in events that could adversely affect our business.
- Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future earnings.
- Adverse weather conditions and natural or other disasters may delay or eliminate net revenue that otherwise would have been realized and thus adversely affect our profitability.
- We bear the risk of cost overruns in a significant number of our contracts; thus, we may experience reduced profits or, in some cases, losses under these contracts if costs increase above our estimates.

Growth and Acquisition Integration Risks

- Goodwill and other intangible assets acquired from our acquisitions represent substantial portions of our total assets. If our acquired businesses do not perform as expected, we may be required to write down the value of our goodwill and other intangible assets, which could have a material adverse effect on our earnings. Refer to the discussion in the Results section (under the Goodwill and Intangible Assets subheading) below.
- If we are unable to manage our growth effectively, we may experience a decline in our revenue and profitability.

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

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

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

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

Assumptions
In determining our forward-looking statements, we consider material factors including assumptions about the performance of the Canadian and US economies in 2009 and its effect on our business. The assumptions we made about the outlook for each of our practice areas, our annual targets, and our outlook for 2009 are listed in the Outlook section of this report.

The preceding list of factors is not exhaustive. Investors and the public should carefully consider these factors, other uncertainties, and potential events as well as the inherent uncertainty of forward-looking statements when relying on these statements to make decisions with respect to our Company. The forward-looking statements contained herein represent our expectations as of February 25, 2009, 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 2009, 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.

VISION, CORE BUSINESS, AND STRATEGY

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

Our goal is to become and remain a top 10 global design and consulting services firm, and our focus is providing professional services in the infrastructure and facilities market principally on a fee-for-service basis. To achieve our objective, we must expand the depth and breadth of our services, which will result in growth. We intend to continue to pursue a prudent growth plan. We are confident that we can do so because we have built a solid foundation—made up of a robust business strategy, workforce, organizational structure, and systems—to take us into the future.

Looking ahead, we plan to gradually and systematically expand our geographic reach outside North America in markets that are best suited and receptive to our services as these services evolve and mature. International work currently accounts for 2% of our business. By 2018, we target to generate up to 20% of our revenue from our international work, most likely by expanding to the United Kingdom, Australia, and New Zealand. In determining this goal, we reviewed the growth of our peers. During 2007, three quarters of the growth generated by the top

35 global design firms, many of which are headquartered in North America, came from international markets, and we assume that we can take advantage of this trend. We believe that earning up to 20% of our revenue internationally will give us the critical mass of staff and cost effectiveness needed to support international growth.

Our business strategy is based on mitigating risk by

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

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

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

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

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

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

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

Practice Area Specialization
Currently, we provide services in five specialized and distinct practice area groupings—Buildings, Environment, Industrial, Transportation, and Urban Land. Focusing on this combination of project services helps differentiate us from our competitors, allowing us to enhance our presence in new geographic regions and markets and to establish and maintain long-term client relationships. Our strategy for strengthening this element of our business model is to expand the depth of our expertise in our current practice areas and to selectively add complementary new practice areas to our operations.

Buildings. We provide architectural and engineering design and consulting services through two specialist practice areas—1) Architecture and 2) Buildings Engineering—to both private and public sector clients in a wide range of

building types and market sectors across North America and internationally. Our primary focus is the design of health care, retail and commercial, education, sports and recreation, and airport buildings from preconception to postcompletion. Our core services include project and program definition, facilities planning, architectural design, interior design, and structural, mechanical, electrical, and acoustical engineering for both new construction and existing buildings. For existing buildings, we offer expertise in performance engineering, building operating systems (including analysis of exterior envelope, air quality, lighting, and energy efficiency), and ongoing tenant improvements. Over the past few years, our Buildings practice area has also established an industry-wide reputation for leadership in sustainable and integrated design.

In 2008, we expanded our Buildings practice area through organic growth in our existing geographic locations. Going forward, our focus in 2009 and over the next 10 years will be to develop the Buildings practice area to a top 10 level globally. Initially, we intend to expand our architecture and engineering practice in the United States to match the critical mass of staff and reputation we have built in Canada, and thereafter we plan to establish a significant international presence.

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

We expanded our Environment practice area through organic growth in our existing geographic locations as well as acquisitions in 2008 and through the addition of Jacques Whitford Group Ltd. and Jacques Whitford Global Group Limited (Jacques Whitford) at the beginning of 2009. This acquisition, our largest to date with 40 offices mainly located in Canada, expanded and enhanced our capabilities in environmental assessment, documentation and permitting, environmental site management and remediation, and geotechnical engineering.

In 2009, we will focus on strengthening the Environment practice area by continuing to expand our profile and market share throughout North America, primarily in the water and energy sectors. Over the next 10 years, we expect to experience our greatest growth in the US environmental market along with significant expansion into markets overseas.

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

In 2008, we strengthened the services this practice area provides for the mining sector through the acquisition of McIntosh Engineering, a mining engineering firm with offices in Arizona and Ontario.

In 2009, we will focus on strengthening our presence in the power transmission and renewable energy markets as well as pursuing opportunities to work on larger projects for clients with national accounts. Our goal for the next 10 years is to further position our industrial practice as the largest of the midtier consultants with the ability to undertake most projects in the industrial sector with the exception of large turnkey oil and gas projects.

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

In 2008, the Transportation practice area expanded through organic growth in our existing geographic locations as well as through acquisitions.

In 2009, we will focus on further strengthening and developing our leadership in the Transportation practice area as well as on developing a critical mass of staff in key emerging markets and expanding our services. Our goal over the next 10 years is to strengthen the Transportation practice area by expanding primarily in growing urban areas across North America and by adding more specialized skill sets.

Urban Land. We provide planning, landscape architecture, surveying, engineering, and project management solutions, principally for the land development, real estate, and retail and commercial industries, through four specialist practice areas: 1) Commercial Program Development, 2) Planning & Landscape Architecture, 3) Urban Land Engineering, and 4) Surveys/Geomatics. Our core services include, or relate to, the development of conceptual and master plans, development approvals and entitlement, infrastructure design, transportation planning, traffic engineering, landscape architecture, construction review, and a wide variety of surveying and geomatics services to support the land development industry and other practice areas.

In 2008, we expanded our services in the Urban Land practice area through the acquisition of a design firm with offices in California and other western states. This addition gave us a commercial program development practice, which provides program and project management and integrated design services for retail and commercial clients with facilities across the United States.

Our priority for this practice area in 2009 is to continue to diversify the services we provide for nonresidential development sectors and to adapt to changes in the North American housing market. In the next 10 years, we expect to continue to position ourselves to serve a rebounding housing market in North America.

Life Cycle Solutions

The third element of our business model is the provision of professional services in all five phases of the project life cycle—planning, design, construction, maintenance, and decommissioning. This inclusive approach enables us to deliver services during periods of strong new capital project activity (i.e., design and construction) as well as periods of lower new capital project expenditures (i.e., maintenance and rehabilitation). Beginning with the planning and design stages, we provide conceptual and detailed design services, conduct feasibility studies, and prepare plans and specifications. During the construction phase, we generally act as the owners' representative, providing project management, surveying, and resident engineering services. We focus principally on fee-for-service type work and generally do not act as the contractor or take on construction risk. Following project completion, during the maintenance phase, we provide ongoing professional services for maintenance and rehabilitation projects in areas such as facilities and infrastructure management, facilities operations, and performance engineering. Finally, in the decommissioning phase, we provide solutions and recommendations for taking facilities out of active service.

Going forward, our strategy is to continue to expand the scope of services we provide in the initial planning stages and during maintenance, allowing us to establish longer-term relationships with clients and to strengthen our full “cradle to grave” approach.

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

KEY PERFORMANCE DRIVERS AND CAPABILITIES

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

People

Because we are a professional services firm, the most important driver of our performance is our people. Our employees create the project solutions we deliver to clients. Consequently, to achieve our goal of becoming and remaining a top 10 global design firm, we must grow our workforce through a combination of internal hiring and acquisitions. We measure our success in this area by total staff numbers. In 2008, our employee numbers increased to approximately 8,700 from 7,800 in 2007. As at December 31, 2008, our workforce was made up of about 4,700 professionals, 2,800 technical staff, and 1,200 support personnel. With the addition of Jacques Whitford on January 2, 2009, our employee numbers exceeded 10,000.

To attract and retain qualified staff, we offer opportunities to be part of “One Team” working on challenging multidiscipline projects with some of the most talented people in our industry. We are continually strengthening and supporting our people-oriented, “One Team. Infinite Solutions.” culture. In 2008 we completed a number of activities, including the introduction of an employment equity program. Along with ensuring that there are no barriers to hiring and promoting talented people, the program looks at ways to better understand the needs of a diverse workforce. We also implemented a wellness program that offers a variety of services, including access to a health coach, online health information, on-site biometrics testing, and free miniphysicals. In addition, we expanded our Career Development Center with updated content and new in-house programs and training, including a leadership training program, which we delivered across the Company to help develop and enhance the skills and capabilities of new and evolving leaders. The Career Development Center is the online source for all our learning, coaching and mentoring, and professional and career development resources, and the new leadership training program covers eight core competencies that align with Stantec values. We also updated the professional development section of the center to include continuing education requirements according to state and provincial boards for professional engineers, landscape architects, architects, geologists, and land surveyors. Going forward, we will continue to update and improve our learning and career development programs in response to the needs of our staff.

To measure our success in attracting and retaining staff, we use tools such as employee engagement surveys, ongoing requests for feedback, and exit interviews. The results of these performance metrics help us develop programs and initiatives for improving and maintaining staff engagement. We also track turnover rates for our staff through our business information system.

Our “diversified portfolio” approach to business, operating in different regions and practice areas, and our “One Team” philosophy, using and sharing the best available staff resources across the Company, generally enable us to redeploy a portion of our workforce when faced with changes in local, regional, or national economies or practice area demand. Although there will always be some areas where it will be difficult to find appropriate staff during

certain periods, as we increase in size we become better able to address these issues by using staff from other parts of the Company either through temporary relocation or work sharing. We are continually improving our ability to work on projects from multiple locations through standardized practices and systems, project collaboration, and Web-based technology.

Acquisition Opportunities and Integration
The North American market gives us many opportunities to build toward our goal of becoming and remaining a top 10 global design firm. We believe that such growth is necessary in order to enhance the depth of our expertise, broaden our services, increase our shareholder value, provide more opportunities for our employees, and lever our information technology systems. Our strategy for achieving our goal is to combine internal growth with the acquisition of firms that believe in our vision and want to be part of our dynamic Company. Since we became publicly traded on the Toronto Stock Exchange (TSX) in 1994 to date, we have integrated a total of over 7,600 employees into the Stantec team from throughout Canada, the United States, and the Caribbean. In 2008, we completed five acquisitions, including one in Canada, which expanded our business into the Northwest Territories, and four in the United States, which gave us a new presence in Alabama, Illinois, Kansas, Minnesota, and Oklahoma. We are confident that we can continue to take advantage of acquisition opportunities because we operate in an industry sector that includes more than 100,000 firms, most of which are small. According to the *Engineering News-Record*, the largest 500 engineering and architecture companies headquartered in the United States—our principal competitors—generate approximately US$80 billion in annual fees, 20% of which they earn internationally. Currently, we have approximately a 2% share of this market.

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

Our acquisition and integration program is managed by a dedicated acquisition team that supports, or is responsible for, the tasks of identifying and valuing acquisition candidates, undertaking and coordinating due diligence, negotiating and closing transactions, and integrating employees and systems following an acquisition. This team is complemented and enhanced by other operational staff as appropriate. We measure our success in integrating acquired employees through a postintegration survey and use the survey results to address specific issues and improve future integration activities.

Financing
Our success also depends on our continuing ability to finance our growth plan. Adequate financing gives us the flexibility to acquire firms that are appropriate to our vision and complement our business model. Since we became publicly traded on the TSX in 1994, we have grown our gross revenue at a compound annual rate of 21.4%. To fund such growth, we require cash generated from both internal and external sources. Historically, we have completed acquisitions using mostly cash and notes while at opportune times raising additional equity to replenish our cash reserves, pay down debt, or strengthen our balance sheet. To date, we have issued additional shares for these purposes on four occasions—in 1997, 2000, 2002, and 2005. Currently, we have a revolving credit facility, due on August 31, 2011, that provides us with a line of credit of $300 million, of which $104.9 million was available as at December 31, 2008, for future activities.

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

best employees in a region, and is important for building or maintaining the critical mass of staff needed to generate consistent performance and to support regional company infrastructure.

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

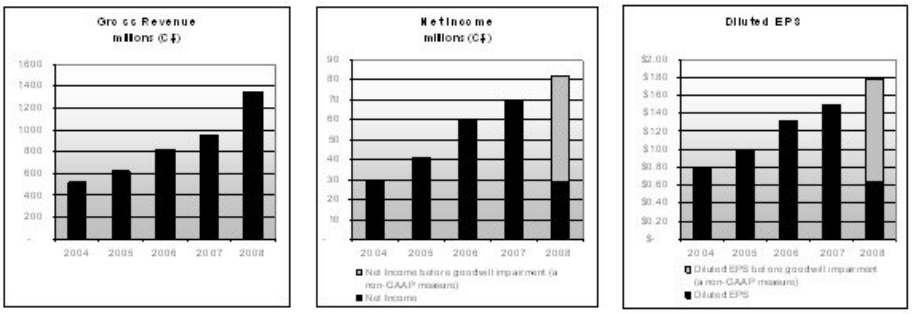
RESULTS

Overall Performance

Highlights for 2008

(In millions of Canadian dollars, except per share amounts)	**2008**	**2007**	**$ Change**	**% Change**
Gross revenue	1,352.0	954.6	397.4	41.6%
Net income	29.0	69.3	(40.3)	(58.2%)
Earnings per share – basic	0.64	1.52	(0.88)	(57.9%)
Earnings per share – diluted	0.63	1.50	(0.87)	(58.0%)
Cash flows from operating activities	160.0	87.5	72.5	n/m
Cash flows used in investing activities	(127.7)	(135.2)	7.5	n/m
Cash flows from financing activities	53.8	33.9	19.9	n/m

n/m = not meaningful



The following highlights our major financial achievements and strategic activities in 2008, as well as other factors that contributed to our financial performance and overall financial condition:

- **Record results prior to the impairment of goodwill.** In 2008, we achieved a 41.6% increase in gross revenue and a 36.0% increase in net revenue (the term net revenue is defined in the Critical Accounting Estimates, Developments, and Measures section of this report) along with a strong operating performance prior to the write-down of goodwill related to our US operations.

  During the year, we conducted our annual goodwill impairment test. Due to the recent fluctuations in the market and the uncertainties arising from overall economic conditions, we recorded a $53.0 million impairment to goodwill. This decreased our diluted earnings per share by $1.15. The goodwill charge is non-cash in nature and does not affect our liquidity, cash flows from operating activities, or debt covenants and will not impact our

future operations. Excluding the impact of this goodwill impairment, our financial results for the year reached record levels, with $160.0 million in cash flows from operating activities. Our net income would have been $82.0 million, with diluted earnings per share of $1.78 for the year.

Including the impact of the goodwill impairment charge, our net income for 2008 was $29.0 million compared to $69.3 million in 2007 and $60.2 million in 2006. Diluted earnings per share for 2008 were $0.63 compared to $1.50 in 2007 and $1.31 in 2006. These results were

- Positively impacted by a reduction in our administrative and marketing expenses as a percentage of net revenue from 42.3% to 41.3%

- Negatively impacted by a reduction in our gross margin percentages (the term gross margin is defined in the Critical Accounting Estimates, Developments, and Measures section of this report) from 56.7% to 55.7%, a $58.4 million impairment of goodwill and intangible assets, a $7.0 million increase in our amortization of intangibles, and a $5.9 million increase in interest expense

· **Achievement of 10-year goal.** In 2008, we met and exceeded the 10-year goal we set in 1998 to become a $1.0 billion annual gross revenue company.

· **Ability to adapt to challenging economic conditions.** Excluding the impact of the goodwill impairment, our operating results demonstrated continuing strength compared to 2007 as well as the ability of our business model to adapt to changing market conditions throughout North America. Continued weakness in the residential market and the economic slowdown in the United States contributed to decreased revenue in our Urban Land practice area compared to 2007. This decrease was offset by an increase in revenue in our other practice areas, particularly Environment, Industrial, and Buildings.

Despite the economic slowdown in North America, we believe that we are well positioned to maintain our business in 2009 for a number of reasons:

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

- We continue to generate sufficient cash flow to meet our operating needs and have a strong balance sheet.

- We have a strong leadership team that emphasizes asset management and continues to monitor our short-term backlog and manage staff levels to the work available.

- We have a dedicated team of employees who have shown commitment to controlling costs and pursuing efficiency in our operations.

· **Growth through acquisitions.** Acquisitions completed in 2007 and 2008 contributed $404.1 million to our change in gross revenue from 2007 to 2008. We completed five acquisitions in 2008.

· **Continued growth.** On January 2, 2009, we completed the acquisition of Jacques Whitford for cash consideration of $64 million and notes payable of $79 million, adding over 1,700 employees and 40 offices to our operations and strengthening our service capabilities in geotechnical engineering, air quality evaluation, and environmental and geoscientific assessment.

· **Strong balance sheet.** Our balance sheet remains solid, and as at December 31, 2008, taking into account the amount borrowed to enable the Jacques Whitford acquisition, $104.9 million of our $300 million credit facility was available for future acquisitions, working capital needs, capital expenditures, and general corporate

purposes. During the year, we negotiated an extension of the due date of our credit facility to August 2011 and renewed our normal course issuer bid with the TSX. As well, during the year, we were successful in increasing the limit of our credit facility from $160 million to $300 million to provide additional flexibility for continued growth.

- **Leadership succession.** During the year, we announced that Robert (Bob) Gomes will succeed Tony Franceschini as the next president and chief executive officer (CEO) of our Company, effective May 14, 2009. On his retirement, Tony will assume a role on the Stantec Board of Directors. Bob graduated from the University of Alberta with a degree in civil engineering and has held various leadership roles in his over 20 years with Stantec, including those of vice president of Alberta North and senior vice president of the Industrial practice area.

  During the year, Don Wilson, our senior vice president and chief financial officer (CFO), announced that he would retire from his role on December 31, 2008. Dan Lefaivre, our vice president of Finance & Treasury, subsequently assumed the CFO role. Dan, a certified management accountant, joined Stantec in 1990 and has played an integral role in numerous acquisitions, conversion activities, financing activities, and the integration of business systems.

- **ISO certification.** During the year, we achieved registration with the International Organization for Standardization's (ISO) 9001:2000 quality management standard. ISO 9001:2000 is a globally recognized set of requirements for establishing effective quality management systems. In addition, during the year, we achieved certification with ISO/IEC 20000, which is a standard that sets out the requirements for establishing an information technology (IT) service management system.

- **Increased backlog.** Our consolidated revenue backlog at the end of 2008 was $1 billion compared to $831 million at the end of 2007 and $685 million at the end of 2006. For a definition of backlog, refer to the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.

- **A solid foundation for the future.** Through the guidance of our CEO over the last 10 years, we have built a solid foundation for continued prudent growth by expanding geographically and adding new or complementary practice areas. As we continue to evolve and mature, we will have a more significant presence outside North America. By 2018, we target to generate up to 20% of our revenue from international work.

Results compared to 2007 targets
In our 2007 Management's Discussion and Analysis, we established various ranges of expected performance for 2008. The following table presents the results we achieved in 2008:

Measure	Expected Range	Results Achieved	Results before Goodwill Impairment
Debt to equity ratio *(note1)*	At or below 0.5 to 1	0.26 P	0.23 P
Return on equity *(note 2)*	At or above 14%	6.1% ï	16.5% P
Net income as % of net revenue	At or above 6%	2.6% ï	7.3% P
Gross margin as % of net revenue	Between 55 and 57%	55.7% P	55.7% P
Administrative and marketing expenses as % of net revenue	Between 41.5 and 43.5%	41.3% P	41.3% P
Effective income tax rate	Between 29 and 31%	55.0% ï	30.2% P

note 1: Net debt to equity ratio is calculated as long-term debt plus current portion of long-term debt less cash and cash held in escrow, all divided by shareholders' equity as further discussed in the Definition of Non-GAAP measures in the Critical Accounting Estimates, Developments, and Measures section of this report.
note 2: Return on equity is calculated as net income for the year divided by average shareholders' equity over each of the last four quarters as further discussed in the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this report.
P Met or exceeded target
X Did not meet target

In 2008, we met or performed better than our targets for all items except return on equity, net income as a percentage of net revenue, and effective income tax rate. Excluding the impact of the goodwill impairment charge, we met or performed better than all our targets. The goodwill impairment charge is explained in the Goodwill and Intangible Assets section below.

Acquisitions

Total consideration for acquisition activity was $122.9 million in 2008 and $150.0 million in 2007. In 2008, we completed the following acquisitions:

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

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

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

- On March 14, 2008, we acquired RHL Design Group, Inc. (RHL), which added approximately 170 employees. The acquisition of this firm, headquartered in Petaluma, California, with several offices in the western United States, significantly increased our commercial development services. RHL provides full program implementation and comprehensive design services for commercial clients with facilities in multiple locations.

- On July 2, 2008, we acquired the shares and business of McIntosh Engineering Holdings Corporation (McIntosh), adding over 200 staff. The acquisition of this firm provided us with a more visible presence in the mining sector and expanded our operations in Tempe, Arizona, and Sudbury and North Bay, Ontario.

Through our investment in our enterprise management system in 2003 as well as subsequent enhancements, we were able to begin quickly integrating the five acquisitions completed during 2008. We will finish integrating Secor's systems in Q1 09.

Selected Annual Information

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

Selected Annual Information

(In millions of Canadian dollars, except per share and share amounts)	**2008**	**2007**	**2006**
Gross revenue *(note 1)*	1,352.0	954.6	816.1
Net income *(note 2)*	29.0	69.3	60.2
Earnings per share – basic *(note 2)*	0.64	1.52	1.34
Earnings per share – diluted *(note 2)*	0.63	1.50	1.31
Cash dividends declared per common share	Nil	Nil	Nil
Total assets	1,144.9	813.6	634.5
Total long-term debt	249.2	96.1	16.2
Outstanding common shares – as at December 31	45,448,123	45,698,143	45,201,785
Outstanding common shares – as at February 25, 2009	45,458,123		
Outstanding share options – as at December 31	2,061,828	1,751,022	1,702,784
Outstanding share options – as at February 25, 2009	2,046,828		

note 1: The term gross revenue is defined in the Critical Accounting Estimates, Developments, and Measures section of this Management's Discussion and Analysis.

note2: Net income, basic earnings per share, and diluted earnings per share in 2008 would have been $82.0 million, $1.80, and $1.78, respectively, without the $53 million goodwill impairment charge.

The five acquisitions completed in 2008, the 11 completed in 2007, and the three completed in 2006 contributed to our year-over-year growth in gross revenue, net income, and basic and diluted earnings per share.

Balance Sheet. Our total assets increased by $331.3 million from 2007 to 2008. This increase was mainly due to an increase of $113.9 million in goodwill, $61.1 million in accounts receivable and in costs and estimated earnings in excess of billings, $26.3 million in property and equipment, and $13.7 million in intangible assets. These items increased as a result of internal growth and growth from acquisitions during 2008, offset by a $58.4 million goodwill and intangible asset impairment charge recorded in the third quarter. As well, our cash and cash equivalents increased $89.8 million from December 31, 2007, mainly due to the cash advanced from our credit facility and held for the Jacques Whitford acquisition closing. At the end of December 2008, we borrowed on our revolving credit facility to facilitate the purchase of Jacques Whitford and to support normal operations. The cash was paid to the vendors on the completion of the transaction on January 2, 2009. In addition, the carrying value of the assets and liabilities of our US subsidiaries on our consolidated balance sheets was positively impacted by the weakening of the Canadian dollar from US$1.01 at December 31, 2007, to US$0.82 at December 31, 2008.

Our total assets increased by $179.1 million from 2006 to 2007. This increase was mainly due to an increase of $81.4 million in goodwill, $65.0 million in accounts receivable and in costs and estimated earnings in excess of billings, $23.1 million in property and equipment, and $9.5 million in intangible assets. These items increased as a result of internal growth and growth from acquisitions during the year.

Our total liabilities increased by $235.0 million from 2007 to 2008 mainly due to a $140.4 million increase in our revolving credit facility from $52.1 million to $192.5 million at December 31, 2008, to finance the acquisitions completed in 2008 and to facilitate the acquisition of Jacques Whitford on January 2, 2009. In addition, accounts payable and accrued liabilities increased $43.2 million from 2007 to 2008 due to internal growth and growth through acquisitions during the year. As well, total liabilities increased due to the weakening of the Canadian dollar from December 31, 2007, as explained above.

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

Our balance sheet remained strong in 2008 as shareholders' equity increased $96.3 million as further described in the Shareholders' Equity section below.

Results of Operations

Our Company operates in one reportable segment—Consulting Services. We provide knowledge-based solutions for infrastructure and facilities projects through value-added professional services principally under fee-for-service agreements with clients.

The following table summarizes our key operating results on a percentage of net revenue basis and the percentage increase in the dollar amount of these results from year to year:

	Percentage of Net Revenue			Percentage Increase (decrease)*	
	2008	**2007**	**2006**	**2008 vs. 2007**	**2007 vs. 2006**
Gross revenue	119.6%	114.9%	115.3%	41.6%	17.0%
Net revenue	100.0%	100.0%	100.0%	36.0%	17.4%
Direct payroll costs	44.3%	43.3%	43.0%	39.1%	18.2%
Gross margin	55.7%	56.7%	57.0%	33.7%	16.7%
Administrative and marketing expenses	41.3%	42.3%	41.3%	32.7%	20.3%
Depreciation of property and equipment	2.2%	2.3%	2.2%	33.5%	22.4%
Amortization of intangible assets	0.9%	0.5%	0.9%	189.2%	(39.3%)
Impairment of goodwill and intangible assets	5.2%	0.0%	0.0%	100.0%	n/a
Net interest expense	0.7%	0.2%	0.3%	368.8%	(15.8%)
Share of income from associated companies	(0.0%)	0.0%	(0.1%)	(33.3%)	50.0%
Foreign exchange (gains) losses	(0.2%)	(0.3%)	0.0%	(20.0%)	n/m
Other income	(0.1%)	(0.2%)	(0.2%)	0.0%	(20.0%)
Income before income taxes	5.7%	11.9%	12.6%	(34.9%)	10.9%
Income taxes	3.1%	3.6%	4.1%	19.1%	2.1%
Net income	2.6%	8.3%	8.5%	(58.2%)	15.1%

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

n/m = not meaningful

n/a = not applicable

Our gross and net revenue grew at a higher rate during 2008 than during 2007 mainly due to the larger size of acquisitions that occurred in the fourth quarter of 2007 and in the first quarter of 2008. In particular, the completion of the Neill and Gunter acquisition in October 2007; the Fuller, Mossbarger, Scott & May Engineers (FMSM) acquisition in December 2007; the Zande acquisition in January 2008; and the Secor acquisition in February 2008 added over 1,900 employees to our Company. In 2008, our administrative and marketing expenses grew at a lower rate than the rate of growth in revenue as further explained in the Administrative and Marketing Expenses section below. This growth was offset by increases in the amortization of intangible assets, goodwill and intangible asset impairment charges, and net interest as further explained in their respective sections of this report.

Gross and Net Revenue

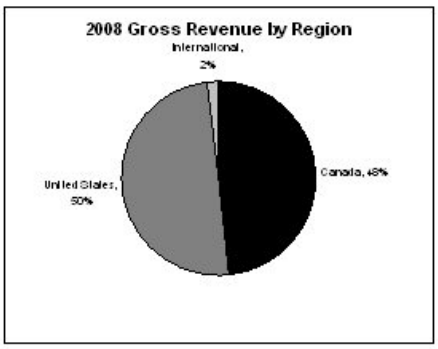
The following table summarizes the impact of acquisitions, internal growth, and foreign exchange on our gross and net revenue for 2008 compared to 2007 and for 2007 compared to 2006. For definitions of gross and net revenue, refer to the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this discussion and analysis. Revenue earned by acquired companies in the first 12 months following acquisition is reported as revenue from acquisitions and thereafter as internal growth.

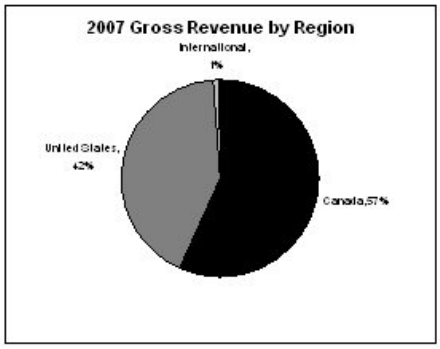
Gross Revenue

(In millions of Canadian dollars)	**2008 vs. 2007**	**2007 vs. 2006**
Increase (decrease) due to:		
Acquisition growth	404.1	109.1
Internal growth	(4.4)	47.1
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(2.3)	(17.7)
Total net increase in gross revenue	397.4	138.5

Net Revenue

(In millions of Canadian dollars)	**2008 vs. 2007**	**2007 vs. 2006**
Increase (decrease) due to:		
Acquisition growth	302.8	92.0
Internal growth	(0.5)	46.5
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(3.1)	(15.5)
Total net increase in net revenue	299.2	123.0

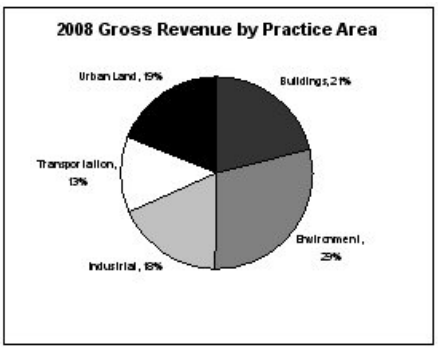


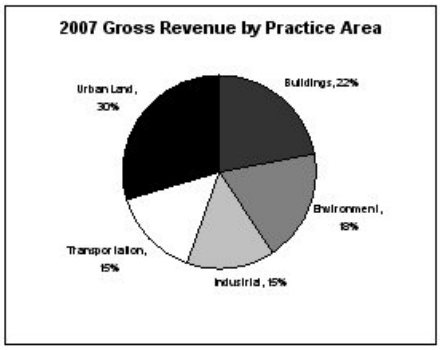


Gross revenue earned in Canada during 2008 increased to $649.5 million from $539.3 million in 2007 and $461.3 million in 2006. Gross revenue generated in the United States in 2008 increased to $677.5 million compared to $405.2 million in 2007 and $348.0 million in 2006. Gross revenue earned outside Canada and the United States in 2008 was $25.0 million compared to $10.1 million in 2006 and $6.8 million in 2005. The increase in revenues in both our US- and Canadian-based operations was positively impacted by the acquisitions completed in 2008 and 2007.

The following table summarizes our gross revenue by practice area for 2008, 2007, and 2006:

Practice Area Gross Revenue *(In millions of Canadian dollars, except %)*	2008	% of Consulting Services Gross Revenue	% Change 2008vs. 2007	2007	% of Consulting Services Gross Revenue	% Change 2007vs. 2006	2006	% of Consulting Services Gross Revenue
Buildings	282.5	20.9%	33.4%	211.8	22.2%	15.0%	184.2	22.6%
Environment	390.0	28.9%	121.7%	175.9	18.4%	17.7%	149.4	18.3%
Industrial	241.2	17.8%	73.5%	139.0	14.6%	46.6%	94.8	11.6%
Transportation	172.3	12.7%	20.4%	143.1	15.0%	35.0%	106.0	13.0%
Urban Land	266.0	19.7%	(6.6%)	284.8	29.8%	1.1%	281.7	34.5%
Total Consulting Services	1,352.0	100.0%	41.6%	954.6	100.0%	17.0%	816.1	100.0%





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

Practice Area Gross Revenue	2008 Compared to 2007			
(In millions of Canadian dollars)	**Total Change**	**Change Due to Acquisitions**	**Change Due to Internal Growth**	**Change Due to Foreign Exchange**
Buildings	70.7	36.8	33.0	0.9
Environment	214.1	209.5	5.7	(1.1)
Industrial	102.2	97.0	4.6	0.6
Transportation	29.2	21.3	7.2	0.7
Urban Land	(18.8)	39.5	(54.9)	(3.4)
Total	397.4	404.1	(4.4)	(2.3)

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

The following summarizes the acquisitions completed from 2007 to 2008 that affected the acquisition growth of each of our practice areas:

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

- **Environment**: Vollmer Associates LLP (April 2007); Trico Engineering Consultants Inc. (August 2007); Woodlot Alternatives, Inc. (October 2007); Neill and Gunter companies (October 2007); Fuller, Mossbarger, Scott & May Engineers, Inc. (December 2007); The Zande Companies, Inc. (January 2008); and SII Holdings, Inc. (February 2008)

- **Industrial**: Neill and Gunter companies (October 2007) and McIntosh Engineering Holdings Corporation (July 2008)

- **Transportation**: Vollmer Associates LLP (April 2007); Neill and Gunter companies (October 2007); Rochester Signal, Inc. (January 2008); and The Zande Companies, Inc. (January 2008)

- **Urban Land**: Vollmer Associates LLP (April 2007); Land Use Consultants, Inc. (April 2007); Geller DeVellis Inc. (May 2007); Trico Engineering Consultants Inc. (August 2007); The Zande Companies, Inc. (January 2008); and RHL Design Group, Inc. (March 2008)

All our practice areas generate a portion of their gross revenue in the United States. The average exchange rate for the Canadian dollar relative to the US dollar increased by approximately 1.1% from 2007 to 2008 (US$0.93 to US$0.94) and by 5.7% from 2006 to 2007 (US$0.88 to US$0.93). The strengthening of the average rate for the

Canadian dollar against the US dollar in 2008 compared to 2007 and in 2007 compared to 2006 had a negative impact on the change in gross revenue by practice area year over year.

2008 versus 2007

Buildings. Gross revenue for the Buildings practice area grew by 33.4% from 2007 to 2008. Of the $70.7 million increase in gross revenue in 2008, $36.8 million was due to acquisitions, and $33.0 million was due to internal growth and a foreign exchange impact of $0.9 million. This year was, historically, the strongest year for the Buildings practice area. We continued to secure major projects by developing our expertise and establishing a top-tier presence in three main sectors: health care, airports, and education. For example, during the year, we were awarded assignments to provide integrated architecture and engineering services for the development of a series of subacute care hospitals at state correctional facilities in California; design services for a terminal expansion at the Edmonton International Airport in Edmonton, Alberta; and architecture services for the expansion of campus facilities at the Northern Alberta Institute of Technology also in Edmonton. In addition, we were awarded an initial contract to secure all the city and regulatory approvals and begin the early preliminary design for a new building on the Toronto Western Hospital campus in Toronto, Ontario, an assignment that will bring together our expertise in architecture, urban planning, clinical planning, and sustainable design. The Buildings practice area has also demonstrated its strength in both the public and private sectors and increasingly in the public-private partnership (P3) market. During the year, we secured a project to provide multidisciplinary services for the Kelowna and Vernon Hospitals P3 project, which is currently the largest single investment in the health care system in the BC Interior on record. We are providing several aspects of the project, including architectural design; mechanical, electrical, structural, and civil engineering; and Leadership in Energy and Environmental Design (LEED) consulting services. The Buildings practice area was not directly impacted by the downturn in the residential housing market in 2008, because it does not have a presence in the single- and multifamily residential housing market.

We believe that the outlook for the Buildings practice area remains stable for 2009. With top-tier architecture and buildings engineering practices in Canada, we expect to enhance our architecture presence in the United States. Due to our leadership in sustainable design, we also believe that we are well positioned to secure projects funded by the US stimulus package that are aimed at improving energy efficiencies in buildings.

Environment. Gross revenue for the Environment practice area grew by 121.7% from 2007 to 2008. Of the $214.1 million increase in gross revenue in 2008, $209.5 million was due to acquisitions, and $5.7 million was due to internal growth, offset by a foreign exchange impact of $1.1 million. Our increased geographical footprint and top-tier presence in more markets enabled the Environment practice area to take on larger, longer-term projects. Acquisitions made in Q3 07 and Q1 08 broadened the practice area's service capabilities to include new and expanded service areas in geotechnical engineering, environmental management, and environmental remediation. For example, we obtained a contract to provide geotechnical engineering services for the U.S. Army Corps of Engineers, Tulsa District, including establishing an on-site soils and materials testing laboratory at Canton Dam in Oklahoma. We also secured an assignment to provide environmental screening, heritage resource reviews, and permitting services for a proposed Tristar oil well field and associated access road and pipeline development activities in southeastern Saskatchewan. In addition, we worked on projects in the areas of water supply master planning and water supply facility development, including groundwater, surface water, and recycled water systems. For example, during the year, we were awarded an assignment to design odor control upgrades and improve the process performance at the Humber Wastewater Treatment Plant in Toronto, Ontario. As well, we were selected to design one of the world's largest ultraviolet drinking water disinfection systems for the San Francisco Public Utilities Commission in California. During the year, the Environment practice area made efforts to improve its operating effectiveness in the US East through better client selection, project management, sales efficiency, and staff level management in relation to existing backlog.

The outlook for the Environment practice area is stable for 2009 due to the strength and breadth of our presence and services. With the addition of Jacques Whitford on January 2, 2009, we expanded and enhanced our capabilities in geotechnical engineering, air quality evaluation, and environmental and geoscientific assessment. Despite the

slowdown in the North American economy, the backlog for the Environment practice area is at historically high levels and is expected to remain at these levels as the practice area continues to attract clients with larger and long-term projects. The practice area is well positioned to carry out P3 projects because of its presence in many locations and its many relationships. We will continue to cultivate our reputation in the environment market by developing our expertise in water and wastewater engineering, geotechnical engineering, wet weather programs, environmental review and permitting, and environmental remediation.

Industrial. Gross revenue for the Industrial practice area grew by 73.5% from 2007 to 2008. Of the $102.2 million increase in gross revenue in 2007, $97.0 million was due to acquisitions, and $4.6 million was due to internal growth and a foreign exchange impact of $0.6 million. The practice area's internal growth was primarily due to projects secured in Canada, especially during the period of high oil and commodity prices. However, the decline in these prices in the fourth quarter caused certain projects to be canceled or delayed. During the year, the Industrial practice area continued to provide services for the development of facilities and infrastructure in support of major projects in British Columbia and Alberta and to secure projects with repeat clients. For example, we increased our work with Enbridge, a leader in energy transportation and distribution. We also secured another project with the South Coast British Columbia Transportation Authority to provide the preliminary and detailed design and construction supervision services for a multiuse, campus-style project, including a heavy bus maintenance facility, training center, and educational building, at the British Columbia Institute of Technology. As well, we continued to work on various projects for the Department of National Defence across Canada.

Our integrated capabilities enabled us to undertake larger, multiphase, and multidisciplinary projects in the industrial market during the year. For example, the Industrial practice area joined efforts with other Stantec disciplines to procure a project to design laboratory facilities at Pennsylvania State University and Binghamton University in New York. Our program and project management expertise continues to grow due to clients' need and demand for dedicated project managers. For example, we secured an assignment to provide project control services to the Toronto Transit Commission for an extension of the Spadina subway in Toronto, Ontario. During the year, the Industrial practice area began integrating over 200 staff from McIntosh. The acquisition of McIntosh has enabled us to offer a complete, integrated package of environmental, scientific, engineering, and project management services to global mining clients.

The decline and any future fluctuations in commodity and oil prices may negatively impact the continuity of projects in the energy and mining sector in 2009. We will continue to monitor our short-term backlog and manage our staff levels to match the amount of work available. As well, in 2009 the Industrial practice area will continue to pursue more projects in the power transmission and distribution sector as well as opportunities that may arise from an expected increase in construction activity related to renewable and sustainable energy (i.e., ethanol, biomass, wind, and solar energy) initiatives in North America. In addition, given the aging population in North America, we remain optimistic that we will continue to secure opportunities in the bio/pharmaceutical sector. We believe that the outlook for the Industrial practice area remains stable to a moderate decline for 2009.

Transportation. Gross revenue for the Transportation practice area grew by 20.4% from 2007 to 2008. Of the $29.2 million increase in gross revenue in 2008, $21.3 million was due to acquisitions, and $7.2 million was due to internal growth and a foreign exchange impact of $0.7 million. During 2008, the practice area demonstrated its ability to adapt to the evolving transportation market as well as its diverse capabilities by securing a project to develop a 5-mile (8-kilometre)-long street car system connecting the University of Arizona to the central business district in Tucson, Arizona. Although the private sector softened in the second half of the year, the practice area's expertise and reputation continues to foster strong client relationships, which translated into receiving several long-term projects with repeat clients. For example, in 2008 we secured an assignment to perform biennial and interim bridge inspections of approximately 500 bridges in New York, New York, as well as contracts to provide design and construction management services for the North Highway Connector project for the City of Red Deer, Alberta, and to complete the final design of roadway improvements along 1.5 miles (2.4 kilometres) of Route 46 and Route 3 in New Jersey.

We believe that the outlook for the Transportation practice area remains stable for 2009. Future funding for transportation, especially roadway projects, in our principal markets may decline in 2009 due to a decrease in revenue from our public sector clients from sources such as gas and sales taxes. As well, due to the current economic slowdown, we expect clients to continue to have difficulty obtaining interim financing through municipal bonds in 2009. These difficulties could result in project deferrals. However, the introduction of the US stimulus package could prevent the deferral of certain projects and possibly accelerate some previously deferred construction-ready projects by stabilizing project funding in the transportation sector.

Urban Land. Gross revenue for the Urban Land practice area declined by 6.6% from 2007 to 2008. Of the $18.8 million decrease in gross revenue in 2008, $54.9 million was due to a decline in revenue from internal growth and a foreign exchange impact of $3.4 million, offset by a $39.5 million increase in revenue due to acquisitions. We offer urban land services primarily in three core regions—Alberta and Ontario in Canada and California in the United States—and these operations accounted for approximately 66% of our urban land business in 2008. The remainder of our urban land work is spread throughout a number of locations in the United States and Canada. The acquisition of RHL in Q1 08 added commercial program development services to this practice area, primarily in the western United States.

Revenue for the Urban Land practice area was impacted by a decline in housing starts in various parts of the United States, particularly California, and, to a lesser degree, in Canada. Single-family housing starts in the United States declined significantly in 2008. In response to these market conditions, our Urban Land group in the United States reduced its staff levels in 2008 to match the work available. The practice area continued to pursue opportunities to apply services and new technologies in markets that are not dependent on housing, such as services for municipal, energy, and utilities projects. For example, we offered expanded services using light detection and ranging (LIDAR) scanning—an optical remote sensing technology that measures properties of scattered light to find the range and/or other information about a distant target. During the year, we completed the LIDAR scanning of a crane that collapsed over a high-rise construction site in New York City. We also provided professional surveying services for the development of over 200 new gas lines in the Fort Worth, Texas, area from one of the largest natural gas reserves in North America. During the year, the Urban Land practice area continued to expand its services into the public sector. For example, we secured assignments to provide services for improving streetscapes in the historic district of downtown Newark, New Jersey. The practice area also continued to take advantage of work-sharing opportunities by using US-based staff to complete Canadian projects and cross-sell services to other practice areas. For example, during 2008, the practice area secured a project involving several Stantec disciplines and regional offices in designing a major waterfront park in Kelowna, British Columbia.

The National Association of Home Builders (NAHB) in the United States forecasts a continued decline in US single-family housing starts for the first half of 2009. In addition, the Canada Mortgage and Housing Corporation (CMHC) forecasts a slight decline in single detached housing starts in Canada for 2009. Therefore, we anticipate a further decline in project volumes for this practice area for the year. To mitigate the impact of this decline in activity, the Urban Land practice area will continue to monitor its short-term backlog and manage its staff levels as closely as possible to the work available. It will focus on providing multidisciplinary, integrated services, continuing its work-sharing initiatives, and expanding its services into non-housing sectors.

2007 versus 2006

Buildings. Gross revenue for the Buildings practice area grew by 15.0% from 2006 to 2007. Of the $27.6 million increase in gross revenue in 2007, $17.2 million was due to acquisitions, and $11.7 million was due to internal growth, offset by a foreign exchange impact of $1.3 million. In 2007, the Buildings practice area continued to secure significant projects and to experience consistently high project volumes. Activity was especially strong in western Canada in both the public and private sectors. For example, in 2007 we secured a contract to provide architecture; planning; landscape architecture; and structural, mechanical, electrical, civil, and transportation engineering services for the development of a 16.2-hectare (40-acre) greenfield site for a new 300-bed acute care hospital in Grand

Prairie, Alberta. We also completed an award-winning design of an expansion of the Vancouver International Airport in British Columbia. Due to our growing presence and project activity in the United States, we were awarded an assignment to provide design solutions for a renovation of the Sheraton New York Hotel and Towers in New York City.

Environment. Gross revenue for the Environment practice area grew by 17.7% from 2006 to 2007. Of the $26.5 million increase in gross revenue in 2007, $13.1 million was due to acquisitions, and $17.5 million was due to internal growth, offset by a foreign exchange impact of $4.1 million. The strength demonstrated by the Environment practice area in 2007 was primarily due to the strong economy in western Canada, the procurement of additional work in the public sector in eastern Canada, and development as a top-tier provider of environmental infrastructure expertise in certain areas of Canada and the United States, which gave us the ability to secure larger and more complex projects. For example, in 2007 we completed the design work for the Seymour-Capilano Water Filtration Plant in North Vancouver, British Columbia, which will be the largest greenfield water treatment facility in North America. The project has achieved LEED Gold certification. During the year, the practice area also continued to improve its operating effectiveness in the US East in terms of client selection, project management, and sales efficiency. Continuing concerns in the US West about the inadequacy of existing water supplies due to drought conditions, as well as legal and regulatory activities, translated into new projects in the areas of water supply master planning and water supply facility development, including groundwater, surface water, and recycled water systems.

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

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

Urban Land. Gross revenue for the Urban Land practice area grew by 1.1% from 2006 to 2007. Of the $3.1 million increase in gross revenue in 2007, $31.2 million was due to acquisitions, offset by a foreign exchange impact of $8.0 million and a decline in revenue from internal growth of $20.1 million. In 2007, we offered urban land services primarily in three core regions—Alberta and Ontario in Canada and California in the United States—and these operations accounted for approximately 68.8% of our urban land business. In addition, we had a modest urban land presence in Arizona, Nevada, Utah, Colorado, North Carolina, and Georgia and a small presence in other Canadian

markets. Acquisitions in the US Northeast increased our presence in New England and the Tri-State (New York, New Jersey, and Connecticut) area, and the addition of Trico strengthened our presence in the southeastern United States and expanded our services further into the coastal areas of the Carolinas. Revenue for the Urban Land practice area in 2007 was impacted by a decline in housing starts in various parts of the United States, particularly California, offset by an increase in starts in Alberta, Canada. Although acquisitions in 2007 added employees to the practice area, certain of our urban land operations in the United States decreased their staff levels in reaction to the market conditions, resulting in less revenue generated from these operations in 2007 compared to 2006.

Gross Margin

For a definition of gross margin, refer to the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section below. Gross margin decreased to 55.7% in 2008 from 56.7% in 2007 and to 56.7% in 2007 from 57.0% in 2006. Our gross margin for 2008 fell within the anticipated range of 55 to 57% set out in our 2007 Financial Review. The decrease in our gross margin percentage from 2007 to 2008 was due to a decline in the gross margins for the Environment, Transportation, and Urban Land practice areas as further explained below. As well, in 2008 the Environment and Industrial practice areas grew at a greater rate than the other practice areas. This growth impacted our overall gross margin since the gross margins on environmental and industrial projects are generally lower than the gross margins on projects in other practice areas.

The decline in our gross margin percentage from 2006 to 2007 was partially due to an increase in the revenue earned by the Transportation practice area in the United States compared to Canada. Gross margins on transportation projects in the United States are typically lower than gross margins on transportation projects in Canada.

The following table summarizes our gross margin percentages by practice area for 2008, 2007, and 2006:

Practice Area Gross Margin	2008	2007	2006
Buildings	58.5%	57.7%	57.3%
Environment	55.9%	58.4%	58.1%
Industrial	51.6%	51.2%	50.4%
Transportation	53.5%	53.8%	55.7%
Urban Land	57.6%	58.5%	58.6%

Our gross margin percentages in 2008 compared to 2007 improved in the Buildings and Industrial practice areas and declined in the Environment, Transportation, and Urban Land practice areas due to the following:

- In general, fluctuations in the gross margin reported from year to year depend on the mix of projects in progress during any year and on our project execution. These fluctuations reflect the nature of our business model, which is based on diversifying our operations across geographic regions, practice areas, and all phases of the infrastructure and facilities project life cycle.
- In the Environment practice area, there was an increase in the percentage of projects with lower margins. The majority of these projects were added through acquisitions completed in 2008 and Q3 07 and mainly related to environmental remediation work. As well, there was a reduction in the gross margin percentage for this practice area due to integration activities during the year.
- In the Transportation practice area, there was an increase in the revenue earned in the United States, where gross margins on transportation projects are typically lower than in Canada.
- In the Urban Land practice area, there was a decrease in project fees because of competition in a declining market.

Administrative and Marketing Expenses
Our administrative and marketing expenses increased $114.8 million from 2007 to 2008. As a percentage of net revenue, our administrative and marketing expenses were 41.3% in 2008 compared to 42.3% in 2007, slightly below our expected range of 41.5 to 43.5%. Administrative and marketing expenses may fluctuate from year to year because of the amount of staff time charged to marketing and administrative labor, which is influenced by the mix of projects in progress and being pursued during the period, as well as by integration activities. In addition, administrative and marketing expenses as a percentage of net revenue declined from 2007 to 2008 due to staff focusing on more effectively managing our costs during the year.

Our administrative and marketing expenses increased $59.3 million from 2006 to 2007. As a percentage of net revenue, our administrative and marketing expenses were 42.3% in 2007 compared to 41.3% in 2006, slightly above our expected range of 40 to 42%. The increase was mainly due to integration activities during the year. In the months following the completion of an acquisition, there can be an increase in staff time charged to administration and marketing due to systems integration and the orientation and integration of newly acquired staff. In 2007, we integrated staff from the 11 acquisitions completed during the year. Administrative and marketing expenses were also affected by an increase in bad debt expense and in the accrual of performance and retention bonuses arising from acquisitions.

Depreciation of Property and Equipment
Depreciation of property and equipment as a percentage of net revenue was 2.2% in 2008, 2.3% in 2007, and 2.2% in 2006. The $6.4 million increase in depreciation from 2007 to 2008 and the $3.4 million increase in depreciation from 2006 to 2007 were primarily due to the addition of property and equipment from acquisitions made in the year.

Goodwill and Intangible Assets
Goodwill. During the third quarter, we conducted our annual goodwill impairment test. Goodwill impairment testing is a two-step process. In the first step, we compare the fair value of our reporting units, determined on a discounted after-tax cash flow basis, to their carrying value. If the carrying value of our reporting units exceeds their fair value, goodwill is potentially impaired and step two of the impairment test must be performed. In step two, we compare the estimated fair value of the goodwill of our reporting units to their carrying value. If it is concluded that an impairment to goodwill exists, a reduction in the carrying value of goodwill is recorded on the consolidated balance sheets and recognized as a non-cash charge to income.

Due to current fluctuations in the market and uncertainties arising from overall economic conditions, step one of our test indicated that an impairment to goodwill may exist since the fair value of our US reporting units fell below their carrying value. The step two impairment test was completed by determining the fair value of goodwill in the same manner as if we had acquired the reporting units as of the date of the annual assessment. We concluded that the carrying value of the goodwill associated with the reporting units exceeded the fair value of the goodwill of the reporting units, and we recorded a $53.0 million impairment charge. The goodwill impairment charge is non-cash in nature and does not affect our liquidity, cash flows from operating activities, or debt covenants and will not have an impact on future operations.

Intangible assets. During the third quarter, we also conducted our annual impairment test of intangible assets to determine if the carrying amount of these assets is fully recoverable. The determination of recoverability is based on an estimate of undiscounted cash flow, and the measurement of impairment loss is based on the amount that the carrying value of an intangible asset exceeds its fair value. As part of the impairment test, we updated our future cash flow assumptions and estimates, including factors such as current and future contracts with clients, margins, market conditions, and the useful lives of assets. Based on the results of this review, we concluded that intangible assets relating to certain client relationships were not fully recoverable and therefore recorded a non-cash $5.4 million impairment charge to income. The impairment primarily reflected the financial distress experienced by specific clients in relation to client relationships acquired in The Keith Companies, Inc. (Keith) acquisition.

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 and other intangible assets are amortized over estimated useful lives ranging from 10 to 15 years, whereas contract backlog is amortized over an estimated useful life of generally one and a half years. Consequently, the impact of the amortization of contract backlog can be significant in the two to six quarters following an acquisition. As at December 31, 2008, $2.7 million of the $46.0 million in intangible assets related to backlog.

The following table summarizes the amortization of identifiable intangible assets:

Intangibles

(In thousands of Canadian dollars)	**2008**	**2007**	**2006**
Amortization of client relationships	4,193	2,384	2,401
Amortization of backlog	6,211	974	3,508
Other	275	344	223
Total amortization of intangible assets	10,679	3,702	6,132

The $7.0 million increase between 2007 and 2008 was mainly due to the amortization of the backlog balances of Vollmer Associates LLP, the Neill and Gunter companies, Secor, and McIntosh. During 2008, $22.3 million in intangible assets was acquired mainly from the RHL, Secor, and McIntosh acquisitions and from the finalization of the valuation of intangibles acquired from the Neill and Gunter companies acquisition in 2007.

The $2.4 million decrease between 2006 and 2007 was primarily due to the backlog balances of Keen Engineering Co. Ltd. (Keen) and CPV Group Architects & Engineers Ltd. (CPV) being fully amortized at the end of 2006 and to the backlog balances of Keith being fully amortized at the beginning of Q2 07.

Net Interest Expense

The $5.9 million increase in net interest expense in 2008 compared to 2007 was a result of having more long-term debt throughout 2008 compared to 2007, offset by lower interest rates over the same period. At December 31, 2007, we had used $52.1 million of our credit facility, and at December 31, 2008, we had used $192.5 million. Depending on the form under which the credit facility is accessed and certain financial covenant calculations, rates of interest may vary among Canadian prime, US base rate, or LIBOR or bankers' acceptance rates plus 65, 85, or 125 basis points. We minimize our exposure to floating rates of interest on our revolving credit facility, when appropriate, by entering into interest rate swap agreements. During the third quarter of 2008, we entered into an interest rate swap agreement that has the effect of converting the variable interest obligation associated with US$100 million of our credit facility, based on a LIBOR rate, into a fixed interest rate of 3.43%, plus an applicable basis points spread, until September 3, 2010. The fair value of the interest rate swap, estimated using market rates as at December 31, 2008, is a loss of $3.0 million, net of tax. Since we designated the interest rate swap as a cash flow hedge against US$100 million of our credit facility and the hedge met the accounting criteria for effectiveness during the year, we recorded the $3.0 million loss in fair value in other comprehensive income. As at December 31, 2008, $131,544,000 of our bank loan was payable in US funds (US$108,000,000), and $61,000,000 was payable in Canadian funds.

Taking the effect of the interest rate swap into consideration, our average interest rate was 3.36% at December 31, 2008, compared to 5.51% at December 31, 2007. We estimate that, based on our loan balance at December 31, 2008, a 0.5% increase in interest rates, with all other variables held constant, would decrease our net income by approximately $247,000 for the year and decrease our basic earnings per share by less than $0.01 for the year. A 0.5% decrease in interest rates would have an equal and opposite impact on our net income and basic earnings per share.

The $298,000 decrease in net interest expense in 2007 compared to 2006 was a result of having less long-term debt throughout the second, third, and most of the fourth quarter of 2007 than in 2006, offset by higher interest rates in the first three quarters of 2007 compared to the same period in 2006. Near the end of the fourth quarter of 2007, our long-term debt position exceeded our 2006 position since we accessed our revolving credit facility to finance acquisitions. At December 31, 2006, we had used $8.2 million of our credit facility, and at December 31, 2007, we had used $52.1 million. Our average interest rate was 5.51% at December 31, 2007, compared to 6.0% at December 31, 2006.

Foreign Exchange Gains

We reported a foreign exchange gain of $2.0 million in 2008 compared to $2.5 million in 2007 and $0.1 million in 2006. These foreign exchange gains arose on the translation of the foreign-denominated assets and liabilities held in our Canadian companies and non-US-based foreign subsidiaries. We minimize our exposure to foreign exchange fluctuations by matching US-dollar assets with US-dollar liabilities and, when appropriate, by entering into forward contracts to buy or sell US dollars in exchange for Canadian dollars.

As at December 31, 2008, we had entered into foreign currency forward contracts that provided for the purchase of US$74.0 million at rates between 1.1932 and 1.2198 per US dollar maturing in January 2009. With the fluctuation of the Canadian dollar near the end of 2008, the fair value of these contracts, estimated using market rates at December 31, 2008, resulted in an unrealized gain of $1.6 million.

The foreign exchange gains reported from 2006 to 2007 arose on transactions related to the financing of acquisitions. By entering into these transactions, there was a period in 2006 and 2007 when our US-dollar-denominated liabilities exceeded our US-dollar-denominated assets while the Canadian dollar strengthened, resulting in exchange gains.

Income Taxes

Our effective income tax rate for 2008 was 55.0% compared to 30.1% for 2007 and 32.7% for 2006. The increase in 2008 was due to the $53.0 million non-deductible charge to income for the goodwill impairment recorded in the year. Without the impact of this charge, our effective income tax rate for 2008 would be 30.2%. This effective income tax rate is within the expected range of 29 and 31% set out in our 2007 Financial Review. We review our estimated income tax rate quarterly and adjust it based on changes in statutory rates in the jurisdictions in which we operate as well as our estimated earnings in each of these jurisdictions. The 30.2% effective income tax rate was above the 30.1% for 2007 due to the relative amount of income earned in our higher tax rate jurisdictions.

Our effective income tax rate for 2007 was 30.1% compared to 32.7% for 2006. This decrease in the effective income tax rate was due to the statutory rate reductions introduced in the fall of 2007 as well as the relative amount of income earned in our lower tax rate jurisdictions.

Fourth Quarter Results and Quarterly Trends

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

Quarterly Operating Results

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

	2008				2007			
	Dec 31	**Sep 30**	**Jun 30**	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31
Gross revenue	369.3	347.6	343.3	291.8	258.3	235.3	244.7	216.3
Net revenue	297.0	289.2	289.0	254.9	215.9	207.0	215.7	192.3
Net income (loss)	20.0	(30.0)	22.1	16.9	19.0	17.4	17.5	15.4
EPS – basic	0.44	(0.66)	0.48	0.37	0.42	0.38	0.38	0.34
EPS – diluted	0.44	(0.66)	0.48	0.37	0.41	0.38	0.38	0.33

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

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

(In millions of Canadian dollars)	**Q4 08 vs. Q4 07**	**Q3 08 vs. Q3 07** *Restated **	**Q2 08 vs. Q2 07** *Restated **	**Q1 08 vs. Q1 07** *Restated **
Increase (decrease) in gross revenue due to:				
Acquisition growth	102.0	111.9	96.5	93.7
Internal growth	(12.5)	1.1	11.3	(4.3)
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	21.5	(0.7)	(9.2)	(13.9)
Total net increase in gross revenue	111.0	112.3	98.6	75.5

** Q1 08 to Q3 08 figures were restated to reclassify gross revenue from acquired joint ventures from internal growth to acquisition growth.*

Fourth Quarter Results

As indicated in the tables above, during Q4 08, our gross revenue increased by $111.0 million, or 43.0%, to $369.3 million compared to $258.3 million for the same period in 2007. Approximately $102.0 million of this increase resulted from acquisitions completed in 2007 and 2008 and a foreign exchange impact of $21.5 million—due to the weakening of the Canadian dollar during Q4 08—offset by a decline in internal growth of $12.5 million.

The following table summarizes our key operating results for Q4 08 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)	Quarter Ended December 31		% of Net Revenue		% Increase (Decrease)*
	2008	**2007**	**2008**	**2007**	**2008 vs. 2007**
Gross revenue	**369.3**	**258.3**	124.3%	119.6%	43.0%
Net revenue	**297.0**	**215.9**	100.0%	100.0%	37.6%
Direct payroll costs	131.6	91.7	44.3%	42.5%	43.5%
Gross margin	**165.4**	**124.2**	55.7%	57.5%	33.2%
Administrative and marketing expenses	127.6	93.8	43.0%	43.5%	36.0%
Depreciation of property and equipment	6.8	6.0	2.3%	2.7%	13.3%
Amortization of intangible assets	2.6	1.1	0.9%	0.5%	136.4%
Net interest expense	2.1	0.9	0.7%	0.4%	133.3%
Share of income from associated companies	(0.3)	(0.1)	(0.1%)	(0.1%)	200.0%
Foreign exchange (gains) losses	(2.5)	(1.2)	(0.9%)	(0.5%)	108.3%
Other income	(0.3)	(0.3)	(0.1%)	(0.1%)	0.0%
Income before income taxes	**29.4**	**24.0**	9.9%	11.1%	22.5%
Income taxes	9.4	5.0	3.2%	2.3%	88.0%
Net income for the period	**20.0**	**19.0**	6.7%	8.8%	5.3%

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

Net income during Q4 08 increased by $1.0 million, or 5.3%, from the same period in 2007. Diluted earnings per share in Q4 08 increased by $0.03, or 7.3%, compared to the same period in Q4 07.

Net income during Q4 08 was positively impacted by the growth in gross revenue, as further described below, but negatively impacted by a reduction in gross margin as a percentage of net revenue. Our gross margin percentage was 55.7% in Q4 08 compared to 57.5% in Q4 07. This reduction quarter over quarter was mainly due to a decline in the gross margin of our Urban Land practice area. This decline was due to decreased project fees resulting from competition in a declining market. As well, because of the nature of our business model, which is based on diversifying our operations across geographic regions, practice areas, and all phases of the infrastructure and facilities project life cycle, there will continue to be fluctuations in our gross margin percentage from period to period depending on the mix of projects during any quarter.

Net income in Q4 08 compared to Q4 07 was positively impacted by a reduction in our administrative and marketing expenses as a percentage of net revenue from 43.5% to 43.0% quarter over quarter. This decrease was mainly due to a reduction in staff time charged to marketing and administration. Staff time charged to marketing and administrative labor may fluctuate from quarter to quarter because it is influenced by the mix of projects in progress and being pursued during the period, as well as by integration activities. In 2007, we integrated staff from 11 acquisitions completed in the year compared to 5 acquisitions completed in 2008. Staff from acquired companies are required to learn new practices and processes and understand new systems, and such a learning curve can result in decreased productivity until the learning is complete.

Net income in Q4 08 compared to Q4 07 was negatively impacted by a $1.5 million increase in the amortization of intangibles and a $1.2 million increase in interest expense. The amortization of intangible assets increased in Q4 08 compared to Q4 07 mainly due to the amortization of the backlog balances acquired from the Neill and Gunter companies, Secor, and McIntosh acquisitions. Interest expense increased in Q4 08 compared to Q4 07 because we had more long-term debt throughout Q4 08 compared to Q4 07, offset by lower interest rates over the same period. At December 31, 2007, we had used $52.1 million of our credit facility, and at December 31, 2008, we had used $192.5 million.

Net income in Q4 08 compared to Q4 07 was positively impacted by an increase in foreign exchange gains from $1.2 million to $2.5 million as explained in the Foreign Exchange Gains section above.

Our income tax expense was $4.4 million greater in Q4 08 compared to Q4 07 because our income tax expense in Q4 07 was positively impacted by the recovery of previously recognized expense on Quebec Bill 15 and by the reduction in the carrying value of our future taxes due to reduced statutory income tax rates in certain of the jurisdictions in which we operate.

The following table summarizes the change in gross revenue by practice area in the fourth quarter of 2008 compared to the same period in 2007.

Practice Area Gross Revenue	**Quarter Ended December 31**					
(In millions of Canadian dollars)	**2008**	**2007**	**Total Change**	**Change Due to Acquisitions**	**Change Due to Internal Growth**	**Change Due to Foreign Exchange**
Buildings	75.6	60.5	15.1	3.4	9.0	2.7
Environment	115.9	44.2	71.7	65.9	2.0	3.8
Industrial	69.4	45.3	24.1	23.3	(2.2)	3.0
Transportation	49.2	40.2	9.0	2.5	1.3	5.2
Urban Land	59.2	68.1	(8.9)	6.9	(22.6)	6.8
Total Consulting Services	369.3	258.3	111.0	102.0	(12.5)	21.5

The $12.5 million decline in revenue from internal growth was impacted by the Q4 08 results of the Urban Land and Industrial practice areas. Revenue for the Urban Land practice area was impacted by a decline in housing starts in various parts of the United States, particularly California, and, to a lesser degree, in Canada. Single-family housing starts in the United States declined significantly in 2008. In response to these market conditions, our Urban Land group in the United States reduced its staff levels in 2008 to match the work available. Revenue for the Industrial practice area was impacted by the decline in oil and commodity prices in Q4 08, which caused certain projects to be canceled or delayed.

Quarterly Trends

During Q1 08, our gross revenue increased by $75.5 million, or 34.9%, to $291.8 million compared to $216.3 million for the same period in 2007. Approximately $93.7 million of this increase resulted from acquisitions completed in 2007 and 2008, offset by a $4.3 million decline in internal growth and a $13.9 million foreign exchange impact due to the stronger Canadian dollar in Q1 08 compared to Q1 07. Net income increased by $1.5 million, or 9.7%, in Q1 08 compared to the same period in 2007, and diluted earnings per share increased by $0.04, or 12.1%, compared to Q1 07. Net income did not increase in line with net revenue mainly due to a greater portion of gross revenue growth from acquisitions in Q1 08 compared to Q1 07 resulting in integration activities, which translated into slower growth in the bottom line. As well, our gross margin declined from 56.8% in Q1 07 to 55.0% in Q1 08 due to the mix of projects in progress during the quarter, reduced realized billing rates, and increased costs to execute work. Compared to Q1 07, our Q1 08 results were negatively impacted by a $1.7 million increase in the amortization of intangible assets and by a $1.6 million increase in interest expense.

During Q2 08, our gross revenue increased by $98.6 million, or 40.3%, to $343.3 million compared to $244.7 million for the same period in 2007. Approximately $96.5 million of this increase resulted from acquisitions completed in 2007 and 2008 and $11.3 million in internal growth, offset by a $9.2 million foreign exchange impact due to the stronger Canadian dollar in Q2 08 compared to Q2 07. Net income increased by $4.6 million, or 26.3%, in Q2 08 compared to the same period in 2007, and diluted earnings per share increased by $0.10, or 26.3%, compared to the same period in 2007. Compared to Q2 07, our Q2 08 net income was positively impacted by a reduction in our administrative and marketing expenses as a percentage of net revenue from 42.0% to 40.8%. Our Q2 08 results were negatively impacted by a decline in gross margin from 56.1% to 55.9%, an increase in the amortization of intangibles of $1.7 million, and an increase in interest expense of $1.6 million.

During Q3 08, our gross revenue increased by $112.3 million, or 47.7%, to $347.6 million compared to $235.3 million for the same period in 2007. Approximately $111.9 million of this increase resulted from acquisitions completed in 2007 and 2008 and $1.1 million in internal growth, offset by a $0.7 million foreign exchange impact due to the stronger Canadian dollar in Q3 08 compared to Q3 07. Net income decreased by $47.4 million in Q3 08 compared to the same period in 2007, and diluted earnings per share decreased by $1.04 compared to the same period last year. During the quarter, net income and earnings per share were negatively impacted by a $53.0 million impairment of goodwill and a $5.4 million impairment of intangible assets. These non-cash charges decreased our diluted earnings per share by $1.21. Without the negative impact of the goodwill and intangible asset impairment charges, our net income for Q3 08 would have been $25.1 million, with diluted earnings per share of $0.55. Our Q3 08 results were positively impacted by a reduction of our administrative and marketing expenses as a percentage of net revenue from 41.1% to 39.2%. Our Q3 08 results were negatively impacted by a decline in gross margin from 56.2% to 56.0%, an increase in the amortization of intangibles of $2.1 million, and an increase in interest expense of $1.5 million.

Liquidity and Capital Resources

The following table represents summarized working capital information as at December 31, 2008, compared to December 31, 2007:

(In millions of Canadian dollars, except ratio)	**Dec 31, 2008**	**Dec 31, 2007**	**Change**
Current assets	480.7	323.2	157.5
Current liabilities	(300.0)	(232.7)	(67.3)
Working capital *(note 1)*	180.7	90.5	90.2
Current ratio	1.60	1.39	n/a

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

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

(In millions of Canadian dollars)	**2008**	**2007**	**2006**	**$ Change 2008 vs. 2007**	**$ Change 2007 vs. 2006**
Cash flows from operating activities	160.0	87.5	93.4	72.5	(5.9)
Cash flows used in investing activities	(127.7)	(135.2)	(15.6)	7.5	(119.6)
Cash flows from (used in) financing activities	53.8	33.9	(77.4)	19.9	111.3

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 $300 million credit facility, and the issuance of common shares. Our primary use of funds is for paying operational expenses, completing acquisitions, sustaining capital spending on property and equipment, and repaying long-term debt.

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

We continue to manage according to our internal guideline of maintaining a debt to equity ratio of less than 0.5 to 1. Our debt to equity ratio, a non-GAAP measure, is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash and cash held in escrow, divided by (2) shareholders' equity. At December 31, 2008, our net debt to equity ratio was 0.26 to 1. 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. For example, taking into account the consideration paid for the Jacques Whitford acquisition completed on January 2, 2009, with all other variables held constant, our debt to equity ratio would be 0.52. We believe that with the expected cash flows from operations in 2009 we will reduce our debt to equity ratio to below 0.5.

We have not invested in any asset-backed commercial paper (ABCP) and, therefore, do not consider ourselves to be directly exposed to current uncertainties in the ABCP marketplace. We continue to limit our exposure to credit risk by placing our cash and cash equivalents in, and entering into derivative agreements with, high-quality credit institutions. Our investment held for self-insured liabilities includes bonds and equities, and the risk associated with these bonds and equities is mitigated to some extent by the overall quality and mix of our investment portfolio.

Working Capital

Our working capital at the end of 2008 was $180.7 million compared to $90.5 million in 2007. Current assets increased by $157.5 million, and current liabilities increased by $67.3 million. The increase in current assets was mainly due to an $89.8 million increase in cash and cash equivalents and a $61.1 million increase in accounts receivable and in costs and estimated earnings in excess of billings, partially offset by a $6.9 million decrease in other assets. These increases resulted from internal growth and growth from acquisitions during the year. As well, cash and cash equivalents increased from 2007 since, at the end of December 2008, we borrowed from our long-term debt and held cash and cash equivalents of $64 million to facilitate the purchase of Jacques Whitford. The cash was paid to the vendors on the completion of the transaction on January 2, 2009.

The $67.3 million increase in current liabilities from 2007 to 2008 was mainly due to a $43.2 million increase in accounts payable and accrued liabilities. This increase was the result of internal growth and growth from acquisitions during the year. As well, the current portion of long-term debt increased by $12.5 million due to promissory notes used to finance various acquisitions coming due in 2009.

In 2008, our current ratio was higher than in 2007 mainly due to having additional cash and cash equivalents in 2008 as explained above.

Cash Flows From Operating Activities

Our cash flows from operating activities increased by $72.5 million in 2008 from 2007 and decreased by $5.9 million in 2007 from 2006. The increase in 2008 was due to a net increase of $93.0 million in cash receipts from clients less cash paid to suppliers and employees. In 2008, cash receipts from clients less cash paid to suppliers and employees were high due to the additional revenue generated by acquisitions completed in the second half of 2007 and in 2008. The successful integration of these acquisitions resulted in a reduction in our combined investment in accounts receivable and costs and estimated earnings in excess of billings from 94 days of revenue at the end of 2007 to 83 days at the end of 2008.

Our cash flows from operating activities in 2008 were impacted by a $13.2 million increase in net income tax paid in 2008 compared to 2007. In addition, interest paid increased by $2.3 million because we had more long-term debt throughout 2008 than in 2007. Interest received decreased by $4.6 million due to having less cash and cash equivalents throughout 2008.

Our cash flows from operating activities decreased by $5.9 million in 2007 from 2006 due to a net decrease of $13.2 million in cash receipts from clients less cash paid to suppliers and employees In 2006, cash receipts from clients less cash paid to suppliers and employees were high due to the impact and timing of acquisitions completed in the second half of 2005. The successful integration of these acquisitions in the

second half of 2005 resulted in a reduction in our combined investment in accounts receivable and costs and estimated earnings in excess of billings from 101 days of revenue at the end of 2005 to 92 days at the end of 2006.

Cash Flows Used In Investing Activities
Cash flows used in investing activities decreased by $7.5 million from 2007 to 2008 and increased by $119.6 million from 2006 to 2007. In 2008, we used $92.1 million to finance the 5 acquisitions completed during the year versus using $105.4 million in 2007 to finance 11 acquisitions and using $12.2 million in 2006 to finance 3 acquisitions. In addition, US$6.6 million was placed in an escrow account in the second quarter of 2008. This account was partially settled in January and February of 2009 pursuant to the outcome of purchase price adjustment clauses included in the Zande and Secor purchase agreements.

Our investment activities in 2008 compared to 2007 also included an $8.3 million increase in purchases of property and equipment. One factor that contributed to this increase was the $8.0 million spent on improvements made to our Markham and Toronto, Ontario, offices to accommodate office consolidations and to our Edmonton, Alberta, office to accommodate growth. Our investment activities in 2007 compared to 2006 increased due to the use of $8.1 million for improvements made to our Toronto, Ontario; Markham, Ontario; Vancouver, British Columbia; and Edmonton, Alberta, offices.

As a professional services organization, we are not capital intensive. In the past, we have made capital expenditures primarily for property and equipment including such items as leasehold improvements, computer equipment and business information systems software, furniture, and other office and field equipment. Our cash outflows for property and equipment were $35.6 million, $27.3 million, and $18.9 million in 2008, 2007, and 2006, respectively. Our capital expenditures during 2008 were financed by cash flows from operations. We expect our total capital expenditures in 2009 to be in the range of $25 to $28 million, excluding capital acquired from acquisitions.

Cash Flows From (Used In) Financing Activities
Our cash flows from financing activities increased by $19.9 million from 2007 to 2008 and by $111.3 million from 2006 to 2007. In 2008, we generated sufficient cash from our operations to reduce the amount outstanding on our long-term debt by $164.6 million and to repay $1.8 million of our acquired debt. However, during the year, we also accessed our credit facility for acquisition purposes. As at December 31, 2008, $104.9 million of our $300 million credit facility was available for future use. As well, we used $8.9 million to repurchase shares under our normal course issuer bid in 2008. The above use of cash was offset by $1.2 million generated from options exercised during the year.

In 2007, we generated sufficient cash from our operations to reduce the amount outstanding on our long-term debt by $78.5 million and repay $6.3 million of our acquired debt. At December 31, 2007, $106.5 million of our credit facility was available for future use. As well, we used $0.3 million to repurchase shares under our normal course issuer bid in 2007. The above use of cash was offset by $1.9 million generated from options exercised during the year.

Our credit facility is available for acquisitions, working capital needs, capital expenditures, and general corporate purposes. Depending on the form under which the credit facility is accessed and certain financial covenant calculations, rates of interest will vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates plus 65, 85, or 125 basis points. During the year, we were successful in reaching an agreement with our lenders to increase our revolving credit facility from $160 million to $300 million and to extend the maturity date to August 31, 2011. We are subject to financial and operating covenants related to our credit facility. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerated repayment of the debt obligation. We were in compliance with these covenants as at and throughout the year ended December 31, 2008.

Shareholders' Equity

Our shareholders' equity increased by $96.3 million in 2008 and by $31.8 million in 2007. The following table summarizes the reasons for these increases:

(In millions of Canadian dollars)	**2008**	**2007**
Beginning shareholders' equity (before change in accounting policy)	442.7	410.9
Change in accounting policy	0	0.5
Beginning shareholders' equity	442.7	411.4
Net income for the year	29.0	69.3
Currency translation adjustments	76.9	(45.7)
Unrealized (loss) gain on financial assets	(3.6)	1.2
Unrealized loss on cash flow hedge	(3.0)	-
Shares issued on acquisition	-	3.4
Recognition of fair value of stock-based compensation	5.0	2.1
Share options exercised for cash	1.2	1.9
Shares repurchased under normal course issuer bid	(8.9)	(0.3)
Other	(0.3)	(0.6)
Total change	96.3	31.3
Ending shareholders' equity	539.0	442.7

Effective January 1, 2007, we adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, "Financial Instruments—Recognition and Measurement"; Section 1530, "Comprehensive Income"; and Section 3251, "Equity." By adopting these standards, we recorded investments held for self-insured liabilities at fair value on January 1, 2007. In accordance with transitional provisions, we increased other assets by approximately $493,000, opening shareholders' equity by approximately $481,000 (after-tax), and future income tax liabilities by $12,000.

The change arising on the translation of our US-based subsidiaries in 2008 was a $76.9 million gain compared to a $45.7 million loss in 2007. The change in 2008 was due to the weakening of the Canadian dollar—from US$1.01 to US$0.82—during the year. In 2007, the Canadian dollar strengthened from US$0.86 to US$1.01 at the end of the year.

In 2008, we minimized our exposure to floating rates of interest until September 3, 2010, on US$100 million of our revolving credit facility by entering into an interest rate swap agreement as described in the Net Interest Expense section above. The fair value of the interest rate swap, estimated using market rates as at December 31, 2008, was a loss of $3.0 million, net of tax. Since we designated the interest rate swap as a cash flow hedge against US$100 million of our credit facility and the hedge met the accounting criteria for effectiveness during the year, we recorded the $3.0 million loss in fair value in other comprehensive income. In 2007, we did not enter into any interest rate swaps.

We hold investments for self-insured liabilities consisting of government and corporate bonds and equity securities. These investments are classified as available for sale and are stated at fair value with the unrecognized gain or loss recorded in other comprehensive income. The change in the fair value of these investments was a $3.6 million loss in 2008 and a $1.2 million gain in 2007.

In 2008, under our share option plan and as part of our incentive program, our Board of Directors granted 480,000 stock options to various officers and employees of the Company (467,500 options were granted in 2007). These options vest equally over a three-year period and have a contractual life of seven years from the grant date.

Our normal course issuer bid on the TSX was renewed in 2008 and allows us to repurchase up to 2,283,272 of our common shares. We continue to believe that, from time to time, the market price of our common shares does not fully reflect the value of our business or future business prospects and that, at such times, outstanding common shares are an attractive, appropriate, and desirable use of available Company funds. In 2008, we purchased

351,400 common shares at an average price of $25.37 per share for an aggregate price of $8.9 million. In 2007, we purchased 9,200 common shares at an average price of $31.94 per share for an aggregate price of $0.3 million.

In 2008, we did not issue any shares as consideration for an acquisition. In October 2007, we issued 96,925 of our common shares as part of the consideration for the purchase of the Neill and Gunter companies. The $3.4 million in consideration was based on the average of the closing price of our common shares on the TSX for five trading days around the acquisition date.

Other

Outstanding Share Data
As at December 31, 2008, there were 45,448,123 common shares and 2,061,828 share options outstanding. During the period of December 31, 2008, to February 25, 2009, no shares were repurchased under our normal course issuer bid, 10,000 share options were exercised, 4,167 share options were forfeited, and 833 share options were cancelled. As at February 25, 2009, there were 45,458,123 common shares and 2,046,828 share options outstanding.

Contractual Obligations
As part of our continuing operations, we enter into long-term contractual arrangements from time to time. The following table summarizes the contractual obligations due on our long-term debt, other liabilities, and operating lease commitments as of December 31, 2008:

Contractual Obligations	**Payment Due by Period**				
(In millions of Canadian dollars)	**Total**	**Less than 1 Year**	**1–3 Years**	**4–5 Years**	**After 5 Years**
Long-term debt	249.2	34.1	214.9	-	0.2
Interest on debt	20.2	8.4	11.8	-	-
Operating lease commitments	329.6	64.1	102.0	71.3	92.2
Purchase and Service Obligations	6.6	2.8	3.4	0.4	-
Other liabilities	3.4	0.7	0.4	0.1	2.2
Total contractual obligations	609.0	110.1	332.5	71.8	94.6

For further information regarding the nature and repayment terms of our long-term debt, refer to the Cash Flows From Financing Activities section. Our operating lease commitments include obligations under office space rental agreements. Failure to meet the terms of these lease agreements may constitute a default, potentially resulting in a lease termination payment, accelerated payments, or a penalty as detailed in each lease agreement. Our other liabilities primarily include amounts payable under our deferred share unit plan.

Off-Balance Sheet Arrangements
As of December 31, 2008, we had off-balance sheet financial arrangements relating to letters of credit in the amount of $2.6 million that expire at various dates before October 2010. These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations. As well, we have a US$4 million surety facility to facilitate, as part of the normal course of operations, the issuance of bonds for certain types of project work. As at December 31, 2008, $243,000 in bonds were issued under this agreement.

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, 2008, we value and record our financial instruments as follows:

- Cash and cash equivalents and cash held in escrow are recorded at fair value, with realized and unrealized gains and losses reported in income.
- Accounts receivable are initially accounted for at fair value and subsequently adjusted for any allowance for doubtful accounts, with realized gains and losses reported in income.
- Investments held for self-insured liabilities are recorded at fair value, with accumulated unrealized gains and losses reported in other comprehensive income until disposed of, at which time the realized gains and losses are recognized in income.
- Accounts payable and accrued liabilities and long-term debt are initially recorded at fair value and subsequently recorded at amortized cost using the effective interest rate method, with realized gains and losses reported in income.
- Derivatives are accounted for at fair value, with realized and unrealized gains and losses reported in income unless the derivative qualifies and is designated as an effective hedge, in which case, unrealized gains and losses are recorded in other comprehensive income. As at December 31, 2008, we hold derivative financial instruments in the form of foreign exchange forward contracts and an interest rate swap agreement that we designated as a hedge.

The fair values of financial instruments are based on the bid prices in quoted active markets for financial assets and on the ask prices for financial liabilities. The fair values of cash and cash equivalents, cash held in escrow, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts because of the short-term maturity of these instruments. The carrying amount of bank loans approximates their fair value because the applicable interest rate is based on variable reference rates.

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

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

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

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

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

Interest Rate. Changes in interest rates also present a risk to our performance. Our credit facility carries a floating rate of interest. As well, we are subject to interest rate pricing risk to the extent that our investments held for self-insured liabilities contain fixed-rate government and corporate bonds. In 2008, we minimized our exposure to floating rates of interest by entering into an interest rate swap agreement as explained in the net interest expense section above. We estimate that, based on our loan balance at December 31, 2008, a 0.5% increase in interest rates, with all other variables held constant, would impact our basic earnings per share by less than $0.01 for the year.

Related-Party Transactions
We have not entered into any related-party transactions as defined in Section 3840 of the CICA Handbook.

OUTLOOK

The following table summarizes our expectations for the coming year:

Measure	Expected Range
Debt to equity ratio *(note 1)*	At or below 0.5 to 1
Return on equity *(note 2)*	At or above 14%
Net income as % of net revenue	At or above 6%
Gross margin as % of net revenue	Between 54 and 56%
Administrative and marketing expenses as % of net revenue	Between 41 and 43.5%
Effective income tax rate	Between 29 and 31%

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

We have revised our target for gross margin as a percentage of net revenue from between 55 an 57% in 2008 to between 54 and 56% in 2009. We expect a decline in our gross margin percentage compared to 2008 since we anticipate greater revenue to be generated from practice areas in which gross margins are typically lower than in other practice areas. As well, due to the economic slowdown in North America, which is expected to continue in 2009, we believe that competition may reduce our contract prices and profit margins, especially in our Urban Land practice area. Overall, fluctuations in our actual performance occur due to the particular client and project mix achieved as well as the number of acquisitions completed in a year. Some targets, such as debt to equity ratio, could be impacted and potentially exceeded by completing an opportune larger acquisition that increases our debt level above our target for a period of time.

The infrastructure and facilities market in North America, our principal area of operation, is large and is estimated to generate approximately US$80 billion in revenue for our addressable market. The North American market is also diverse, consisting of many technical disciplines, practice areas, client types, and industries in both the private and public sectors. Overall, we expect the outlook for professional services in our key markets and practice areas to remain stable or decline in 2009, with opportunities arising from announced government stimulus packages in

Canada and the United States and potential funding through P3s. We base this expectation on a variety of factors, including the material factors described below.

Canada
The outlook for Canada in 2009 is a moderate slowdown. According to the Conference Board of Canada, the Canadian real gross domestic product (GDP) is expected to decline by 0.5% in 2009. The following factors are evidence for our Canadian outlook for 2009 in areas that directly impact infrastructure spending:

- Challenging financial conditions in the United States are creating uncertainty on a global scale. Canada's domestic economy might continue to feel the effects of tight credit conditions and declining business and consumer confidence.

- Weaker commodity prices have led to significant downward revisions to the Conference Board of Canada's near-term economic outlook.

- According to the CMHC, the rising house prices of previous years will moderate single detached housing starts, where activity is forecasted to dip below the 100,000 mark. Single detached housing starts are expected to decrease an additional 11.3% to 83,600 in 2009, coming off 10-year highs.

- The Canadian federal budget announced on January 27, 2009, added $12 billion in additional infrastructure stimulus over two years to the $33 billion Building Canada Plan. This funding will include $1 billion for a Green Infrastructure Fund focused on "sustainable energy" infrastructure, such as modern transmission lines, and up to $2 billion over the next two years for the repair, retrofit, and expansion of facilities at universities and colleges.

- P3s will continue to be a means of funding projects, even with tightening credit conditions persisting through 2009.

- Governments and the public continue to be conscious of environmental issues as well as sustainable design and development. This awareness includes, for instance, an increased interest in the development of buildings and facilities that require less energy for operation and have a reduced ecological impact, as well as improvements to water, water distribution, and water treatment infrastructure.

United States
The outlook for the United States for 2009 is a continued decline. A lengthy contraction in household spending is expected to keep the United States in a recession during the year. The Congressional Budget Office anticipates, in its Budget and Economic Outlook, that the US GDP will decrease by 2.2% in 2009. The following factors support our outlook for the year:

- The housing market is forecasted to continue to decline in 2009, with seasonally adjusted annual rates of single-family housing starts expected to bottom out at 461,000 units before recovering in 2010. Since 2007, we have been generating a lower percentage of our revenue from the urban land market, and our Urban Land practice area is continuing to manage its staffing levels to the amount of work available.

- Despite the unfavorable outlook for the United States in 2009, in February the US federal government passed the $787.2 billion American Recovery and Reinvestment Act of 2009, which will invest heavily in infrastructure. It is expected to not only address the immediate economic downturn but also position the United States for long-term, sustained growth. We believe that projects funded by this stimulus package will help us maintain our level of backlog and replace projects that were curtailed because of difficult economic conditions.

Our Overall Outlook
Going into 2009, we believe that our overall outlook is stable, particularly in regions where we are a top-tier service provider. We also believe that we are well positioned to maintain our business throughout the economic downturn in

North America because of the diversity of our operations as well as our mixture of private and public projects, which give us the flexibility to timely adapt to changing market conditions.

We established outlooks for each of our practice areas for 2009 in the Results section of this Management's Discussion and Analysis. All outlooks for 2009 are generally stable except for a moderate decline in the Industrial practice area and an expected further decline in the Urban Land practice area in 2009. In establishing the outlook for our Buildings practice area, we assumed that we are well positioned to secure projects from P3 clients and from the US stimulus package that are aimed at improving energy efficiencies in buildings. As well, we assumed the enhancement of our architecture presence in the United States. In establishing the outlook for our Environment practice area, we considered the expanded and enhanced capabilities we gained with the addition of Jacques Whitford on January 2, 2009, our high backlog level and ability to attract larger and long-term projects, and our ability to secure work on design-build projects because of our presence in many locations and our many client relationships. In establishing the outlook for our Industrial practice area, we assumed a negative impact from the decline and future fluctuation in commodity and oil prices as well as a positive impact from opportunities in the power transmission and distribution sectors, renewable and sustainable energy initiatives, and life sciences industries. In establishing the outlook for our Transportation practice area, we assumed that the introduction of the US stimulus package will likely prevent the deferral of certain projects and possibly accelerate some previously deferred construction-ready projects. In establishing the outlook for the Urban Land practice area, we assumed a continued decline in single-family housing starts in the United States and a decline in single detached housing starts in Canada as forecasted by the NAHB and CMHC.

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

In establishing our operating budgets for 2009, we assumed that the Canadian dollar would remain stable compared to the US dollar throughout the year. As well, we assumed that the average interest rate would remain stable. In establishing our effective income tax rate, we assumed the tax rate substantially enacted at December 31, 2008, for the countries in which we operate, primarily Canada and the United States. We expect to support our targeted level of growth using a combination of cash flows from operations and borrowings. Under certain market conditions, we will also consider issuing common shares.

CRITICAL ACCOUNTING ESTIMATES, DEVELOPMENTS, AND MEASURES

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with Canadian GAAP, which require us to make various estimates and assumptions. The notes to our December 31, 2008, consolidated financial statements outline our significant accounting estimates. The accounting estimates discussed below are considered particularly important because they require the most difficult, subjective, and complex management judgments. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome.

Unless otherwise specified in our discussion of specific critical accounting estimates, we expect no material changes in overall financial performance and financial statement line items to arise either from reasonably likely changes in

material assumptions underlying an estimate or within a valid range of estimates from which the recorded estimate was selected. In addition, we are not aware of trends, commitments, events, or uncertainties that can reasonably be expected to materially affect the methodology or assumptions associated with our critical accounting estimates, subject to items identified in the Caution Regarding Forward-Looking Statements and Risk Factors sections of this discussion and analysis.

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

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

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

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

Income Taxes. Our income tax assets and liabilities are based on interpretations of income tax legislation across various jurisdictions in Canada and the United States. Our effective tax rate can change from year to year based on the mix of income among different jurisdictions, changes in tax laws in these jurisdictions, and changes in the estimated value of future tax assets and liabilities. Our income tax expense reflects an estimate of the cash taxes we expect to pay for the current year, as well as a provision for changes arising in the values of future tax assets and liabilities during the year. The tax value of these assets and liabilities is impacted by factors such as accounting estimates inherent in these balances, our expectations about future operating results, and possible audits of our tax filings by regulatory authorities. We assess the likelihood of recovering value from future tax assets, such as loss carryforwards, on a regular basis, as well as the future tax depreciation of capital assets, and may establish a valuation provision. If our estimates or assumptions change from those used in our current valuation, we may be

required to recognize an adjustment in future periods that would increase or decrease our future income tax asset or liability and increase or decrease our income tax expense.

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

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

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

Accounting Developments

Canadian
Financial Instruments—Disclosures and Presentation. Effective January 1, 2008, we adopted the new CICA Handbook Section 3862, “Financial Instruments—Disclosures,” and Section 3863, “Financial Instruments—Presentation.” These pronouncements further aligned Canadian GAAP with US GAAP and International Financial Reporting Standards (IFRS). Section 3862 requires companies to provide disclosures in their financial statements that enable users to evaluate a) the significance of financial instruments for their financial position and performance and b) the nature and extent of risks arising from financial instruments to which they are exposed during the period and at the balance sheet date and how they manage those risks. Section 3863 establishes standards for the presentation of financial instruments. It addresses the classification of financial instruments between liability and equity; the classification of related interest, dividends, and losses and gains; and the circumstances in which financial assets and financial liabilities are offset. The adoption of these new standards has not had an effect on our financial position or on the results of our operations. We have applied these new accounting standards prospectively in note 14, Financial Instruments, to our 2008 audited consolidated financial statements.

Capital Disclosures. Effective January 1, 2008, we adopted the new CICA Handbook Section 1535, “Capital Disclosures.” This section establishes standards for disclosing information about a company’s capital and how it is managed in order that a user of the company’s financial statements may evaluate its objectives, policies, and processes for managing capital. The adoption of this new standard has not had an effect on our financial position or

on the results of our operations. We have applied this new accounting standard prospectively in note 15, Capital Management, to our 2008 audited consolidated financial statements.

International Financial Reporting Standards. In 2005, the CICA announced its plans to converge Canadian GAAP for public entities with IFRS over a transition period that will end in 2011. In February 2008, the CICA confirmed that Canadian reporting issuers will need to begin reporting under IFRS by the first quarter of 2011 with comparative figures. IFRS uses a conceptual framework similar to that used by Canadian GAAP, but there are differences in recognition, measurement, and disclosure.

We started our IFRS conversion project in 2008. The project consists of five phases: 1) preliminary planning and scoping, 2) detailed assessment, 3) solution development, 4) implementation, and 5) postimplementation review.

In 2008, we completed the preliminary planning and scoping phase and started the detailed assessment and solution development phases. The first phase included:

- Establishment of a dedicated team to work on the IFRS transition
- Development of a detailed work plan for the implementation of IFRS
- Establishment of an IFRS Advisory Committee consisting of a cross section of management. The IFRS team provides updates to the IFRS Advisory Committee and the Audit Committee, including reports on the progress made on the detailed work plan.
- Completion of a high-level diagnostic. The high-level diagnostic involved a review of the major differences between Canadian GAAP and IFRS and prioritized the IFRS requirements based on their financial reporting impact, business impact, and complexity.

In 2008, we also started the detailed assessment and solution development phase, which we expect to complete by the end of 2009. These phases involve the establishment of issue-specific workgroups to perform a detailed diagnostic, the selection of accounting policies when alternatives are available, and the formulation of solutions for the implementation of IFRS. As well, during this phase, we will establish and implement a communication and training plan. Before 2010, we expect to make changes to certain processes and systems, in time to enable us to record transactions under IFRS for comparative purposes in our financial reporting for 2011. At this stage of the project, it is not practically possible to quantify the financial reporting impact of the differences between Canadian GAAP and IFRS.

Business Combinations. In January 2009, the CICA issued the new handbook Section 1582, “Business Combinations,” effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with US GAAP and IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company’s financial statements to evaluate the nature and financial effects of its business combinations. Although we are considering the impact of adopting this pronouncement on our consolidated financial statements, it will be limited to any future acquisitions beginning in fiscal 2011.

In January 2009, the CICA issued the new handbook Section 1601, “Consolidated Financial Statements,” and Section 1602, “Non-Controlling Interests,” effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These pronouncements further align Canadian GAAP with US GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting for ownership interests in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent’s equity. The amount of consolidated net

income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. We are currently considering the impact of adopting these pronouncements on our consolidated financial statements in fiscal 2011 in connection with our conversion to IFRS.

Fair Value of Financial Assets and Financial Liabilities. In January 2009, the CICA issued the Emerging Issues Committee (EIC) Abstract EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities," effective for interim and annual financial statements ending on or after January 20, 2009. Earlier adoption of this abstract is permitted. EIC-173 provides further information on the determination of the fair value of financial assets and financial liabilities under Section 3855, "Financial Instruments—Recognition and Measurement." It states that an entity's own credit and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 should be applied retrospectively, without restatement of prior periods, to all financial assets and liabilities measured at fair value. We will adopt this abstract during the first quarter of the 2009 fiscal year. We are currently considering the impact of adopting EIC-173 on our consolidated financial statements and cannot reasonably estimate its effect at this time.

United States
Fair value measurements
In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157), effective for fiscal years beginning after November 15, 2007. SFAS 157 establishes a framework for measuring fair value under US GAAP and requires additional disclosure. The statement defines a fair value hierarchy, with the highest priority being quoted prices in active markets. Under this statement, fair value measurements are disclosed by level within the hierarchy. This standard does not require any new fair value measurements. The adoption of this standard for financial assets and liabilities had no material effect on our financial position or results of operations. Our adoption of SFAS 157 for non-financial assets and liabilities is deferred to fiscal 2009 as allowed by FASB Staff Position (FSP) FAS 157-2, "Effective Date of FASB Statement No. 157."

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

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

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, “Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51” (SFAS 160), effective for fiscal years beginning after December 15, 2008. SFAS 160 changed the accounting and reporting for ownership interests in subsidiaries held by parties other than the parent. These non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent’s equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, SFAS 160 establishes standards for a change in a parent’s ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. It also establishes reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. We are currently considering the impact of adopting this standard on our consolidated financial statements and cannot reasonably estimate its effect at this time.

Other

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, “Disclosures about Derivative Instruments and Hedging Activities—An Amendment of FASB Statement No. 133” (SFAS 161). This standard applies to all derivative instruments and related hedged items accounted for under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” (SFAS 133). SFAS 161 requires entities to provide greater transparency about how and why they use derivative instruments, how they account for derivative instruments and related hedged items under SFAS 133, and how derivative instruments and related hedged items affect their financial position, results of operations, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, and we will adopt it in fiscal 2009. We do not expect the adoption of this standard to have a material effect on our consolidated financial statements.

In November 2008, the FASB issued FSP Emerging Issues Task Force (EITF) 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.” FSP EITF 03-6-1 clarifies that share-based payment awards that entitle their holders to receive non-forfeitable dividends or dividend equivalents before vesting should be considered participating securities. This interpretation is effective for financial statements issued for fiscal years beginning after December 15, 2008, and we will adopt it in fiscal 2009. We are currently considering the impact of adopting FSP EITF 03-6-1 on our consolidated financial statements and cannot reasonably estimate its effect at this time.

In November 2008, the FASB ratified EITF Issue No. 08-7, “Accounting for Defensive Intangible Assets” (EITF 08-7). EITF 08-7 applies to defensive intangible assets, which are acquired intangible assets that the acquirer does not intend to actively use but to hold to prevent its competitors from obtaining access to them. Because these assets are identifiable separately, EITF 08-7 requires an acquiring entity to account for them as separate units of accounting. Defensive intangible assets must be recognized at fair value. EITF 08-7 is effective for defensive intangible assets acquired in fiscal years beginning on or after December 15, 2008, and we will adopt it in fiscal 2009. We are currently considering the impact of adopting EITF 08-7 on our consolidated financial statements and cannot reasonably estimate its effect at this time.

In November 2008, the EITF issued EITF Issue No. 08-6, “Equity Method Investment Considerations” (EITF 08-6), which clarifies the accounting for certain transactions and impairment considerations involving equity method investments. This interpretation is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. We will adopt this standard in fiscal 2009. We are currently considering the impact of adopting EITF 08-6 on our consolidated financial statements and cannot reasonably estimate its effect at this time.

Materiality

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

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

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

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

Backlog. As part of our assessment of our financial condition, we monitor our backlog. We define backlog as the total value of secured work that has not yet been completed that a) is assessed by management as having a high certainty of being performed by either the existence of an executed contract or work order specifying the job scope, value, and timing or b) has been awarded to us through an executed binding or non-binding letter of intent or agreement describing the general job scope, value, and timing. Management must be reasonably assured that the letter of intent or agreement will be finalized in the form of a formal contract. Backlog is not a recognized performance measure under Canadian GAAP and does not have any standardized meaning prescribed by Canadian GAAP. We believe that backlog is a useful means of projecting activity in future periods.

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

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

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

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

RISK FACTORS

The following factors, among others, could cause our actual results to differ materially from those projected in our forward-looking statements:

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

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

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

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

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

As mentioned previously, we currently have a $300 million credit facility. However, we have no assurance that debt financing will continue to be available from our current lenders or other financial institutions on similar terms.

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

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

Currently, we intend to use cash and our common shares as consideration in making future acquisitions. Using internally generated cash or taking on debt to complete acquisitions could substantially limit our operational and financial flexibility. The extent to which we will be able or willing to use our common shares for acquisitions will

depend on the market value of our shares from time to time and the willingness of potential sellers to accept our shares as full or partial payment. In addition, using our shares for future acquisitions may result in a significant dilution to existing shareholders.

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

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

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

Goodwill and other intangible assets represent 43.1% of our total assets. When we acquire a consulting business, a significant portion of the purchase price for the acquisition is generally allocated to goodwill and other identifiable intangible assets. The amount of the purchase price allocated to goodwill is determined by the excess of the purchase price paid by us to acquire the consulting business over the fair value of the net identifiable assets acquired. Canadian and US accounting rules require us to perform an annual impairment test of our goodwill and intangible assets. A deterioration in the operating results of such acquired businesses or the failure of these businesses to meet our expectations may adversely affect the carrying value of our goodwill and intangible assets and could result in an impairment of the goodwill associated with such businesses. As part of our annual review of goodwill for impairment, we consider the actual performance of each of our reporting units compared to our expectations and update our future expectations for such reporting units. An impairment of goodwill would be recorded as a charge in our income statement, which could have a material effect on our earnings.

The nature of our business exposes us to potential liability claims and contract disputes, which may reduce our profits.

Our operations are subject to the risk of third-party claims in the normal course of business, some of which may be substantial. We have been and may in the future be named as a defendant in legal proceedings where parties may make a claim for damages or other remedies with respect to our projects or other matters. Any litigation resulting from our business operations could distract management's attention from normal business operations, divert financial resources to the defense of such claims, or result in significant attorney fees and damage awards for which we may not be fully insured and which could harm our reputation. Any of these circumstances could adversely affect our profitability.

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

We rely heavily on computer information, communications technology, and related systems in order to operate properly. If we are unable to continually add software and hardware, effectively upgrade our systems and network infrastructure, and take other steps to improve the efficiency of and protect our systems, our systems operation could be interrupted or delayed. In addition, our computer and communications systems and operations could be damaged or interrupted by natural disasters, telecommunications failures, acts of war or terrorism, computer viruses, physical or electronic security breaches, or similar events or disruptions. Any of these or other events could cause system interruptions, delays, and loss of critical data; could delay or prevent operations; and may adversely affect our operating results.

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

We have grown rapidly in the last few years, and we intend to pursue further growth through acquisitions and internal hiring as part of our business strategy. However, there is a risk that we may not be able to manage our growth effectively and efficiently. Our inability to manage our growth could cause us to incur unforeseen costs, time delays, or other negative impacts, any of which could cause a decline in our revenue and profitability. Our rapid growth has presented, and will continue to present, numerous administrative and operational challenges, including

the management of an expanding array of engineering and consulting services, the assimilation of financial reporting systems, increased pressure on our senior management, and increased demand on our systems and internal controls. Furthermore, as we expand our service offerings and geographic presence, we may not be able to maintain the current quality of our services.

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

If we experience delays and/or defaults in customer payments, we could suffer liquidity problems or be unable to recover our expenditures.

Because of the nature of our contracts, at times we commit resources to projects prior to receiving payments from the customer in amounts sufficient to cover expenditures as they are incurred. Delays in customer payments may require us to make a working capital investment. If a customer defaults in making payments on a project to which we have devoted significant resources, it could have a material negative effect on our liquidity as well as on the results of our operations. In addition, in our experience, clients who withhold payment are more likely to bring claims against us and have a higher tendency toward dissatisfaction with the services we provide.

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

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

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

Although we serve many diverse clients and are not dependent on any one client or group of clients to sustain our business, our reputation for delivering effective and efficient solutions for complex projects is one of our most valuable business development assets. The loss of this reputation due to client dissatisfaction represents a significant risk to our ability to win additional business both from existing clients and from those with whom we may have dealings in the future.

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

Inadequate internal controls or disclosure controls over financial reporting could result in material misstatement in our financial statements and related public disclosures. Inadequate controls could also result in system downtime,

delayed processing, inappropriate decisions based on non-current internal financial information, fraud, or the inability to continue our business operations.

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

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

The markets we serve are highly competitive, and we have numerous competitors for the services we offer. The principal competitive factors include reputation, experience, breadth and quality of services, technical proficiency, local offices, competitive total project fees, and service delivery. The number and identity of competitors vary widely with the type of service we provide. For small- to medium-sized projects, we compete with many engineering, architecture, and other professional consulting firms. For larger projects, there are fewer but still many competitors, and many of these competitors have greater financial and other resources than we do. Although we compete with other large private and public companies in certain geographic locations, our primary competitors are small and midsize, privately held regional firms in the United States and Canada. Generally, competition places downward pressure on our contract prices and profit margins. However, such impact is difficult to quantify. Intense competition is expected to continue in these markets, presenting significant challenges to our ability to maintain strong growth rates and acceptable profit margins. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience an overall reduction in our profits. We may not be able to compete successfully with such competitors, and such competition could cause us to lose customers, increase expenditures, or reduce pricing, any of which could have a material adverse effect on our earnings and stock price.

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

As of December 31, 2008, our backlog was $1 billion. However, the revenue projected in our backlog is determined by the judgment of management and may not be realized or, if realized, may not result in profits. Projects may remain in our backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur from time to time with respect to contracts reflected in our backlog. Backlog reductions can adversely affect the revenue and profit we actually receive from contracts reflected in our backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of our backlog and the revenue and profits we actually receive. Finally, poor project or contract performance could also impact our profits.

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

The demand for our services is related to the level of government funding that is allocated for rebuilding, improving, and expanding infrastructure systems. We derive a significant amount of our revenue from government or government-funded projects and expect to continue to do so in the future. Between 30 and 57% of our gross revenue during the years ended December 31, 2006, through December 31, 2008, was derived from government or government-funded projects. Significant changes in the level of government funding could have an unfavorable impact on our business, financial position, results of operations, and cash flows.

We believe that the success and further development of our business depends, in part, on the continued funding of these government programs and on our ability to participate in these programs. However, governments may not have available resources to fund these programs or may not fund these programs even if they have available financial resources. Some of these government contracts are subject to renewal or extensions annually, so we cannot be assured of our continued work under these contracts in the future. In addition, government agencies can terminate these contracts at their convenience. We may incur costs in connection with the termination of these contracts and suffer a loss of business. As well, contracts with government agencies are sometimes subject to substantial regulation and audit of the actual costs incurred. Consequently, there may be a downward adjustment to our revenue if accrued recoverable costs exceed actual recoverable costs.

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

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

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

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

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

Our field activities are generally performed outdoors and may include professional surveying, resident engineering services, field data surveys and collection, archeology, geotechnical investigations and exploratory drilling, construction oversight and inspection, plant start-up and testing, and plant operations. Extreme weather conditions and natural or other disasters, such as earthquakes, fires, floods, influenza pandemics, and similar events, may cause postponements in the initiation and/or completion of our field activities and may hinder the ability of our office employees to arrive at work, which may result in a delay or elimination of revenue that otherwise would be recognized while certain costs continue to be incurred. Adverse weather conditions or disasters may also delay or eliminate the start and/or completion of various phases of work relating to other engineering services that commence

concurrent with or subsequent to our field activities. Any delay in the completion of our services may require us to incur additional non-compensable costs, including overtime work, necessary to meet our clients' schedules. Due to various factors, a delay in the commencement or completion of a project may also result in the cancellation of contracts, adversely affecting our net revenue and profitability.

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

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

The value of the Canadian dollar relative to the US dollar is subject to volatility. For example, the average exchange rates for the years ended December 31, 2008; December 31, 2007; and December 31, 2006, for C$1.00 were US$0.94, US$0.93, and US$0.88, respectively. Furthermore, this volatility may continue in the future, and, as discussed above, increases in the strength of the Canadian dollar relative to the US dollar may have a negative impact on the results of our operations.

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

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

We conduct our business under various types of contractual arrangements, most of which are fee-for-service agreements. However, approximately 70% of the dollar value of our contracts in 2008 was based on a fixed-fee or time-and-materials contract with a ceiling on the maximum costs to the client. Under fixed-fee contracts, we perform services at a stipulated price. Under time-and-materials contracts with not-to-exceed provisions, we are reimbursed for the number of labor hours expended at an established hourly rate plus the cost of materials incurred subject, however, to a stated maximum dollar amount for the services to be provided. In both of these types of contracts, we agree to provide services based on our estimate of the costs a particular project will involve. These estimates are established in part on cost and scheduling projections, which may prove to be inaccurate, or circumstances may arise, such as unanticipated technical problems, weaknesses in project management, difficulties in obtaining permits or approvals, changes in local laws, or delays beyond our ability to control, that make our projections inaccurate. The underestimation of costs for these types of contracts may cause us to incur losses or result in a project not being as profitable as we expect. In addition, projects that are not completed on schedule further reduce profitability because our staff must continue to work on them longer than anticipated, which may prevent staff from pursuing and working on new projects. Projects that are over budget or not on schedule may also lead to client dissatisfaction.

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

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

We may have difficulty in attracting and retaining qualified staff, which may affect our reputation in the marketplace and restrict our ability to implement our business strategy.

We derive our revenue almost exclusively from services performed by our employees. Consequently, one of the key drivers of our business is our ability to attract and retain qualified staff. However, we may not be able to attract and retain the desired number of qualified staff over the short or long term. There is significant competition for staff with the skills necessary for providing our services from major and boutique consulting, engineering, public agency, research, and other professional services firms. Our inability to attract and retain qualified staff could impede our ability to secure and complete engagements, in which event we may lose market share and our revenue and profits could decline. In addition, if our employees were to leave our Company and become competitors of ours, we could lose other employees and some of our existing clients who have formed relationships with such former employees. We could also lose future clients to a former employee as a new competitor. In either event, we could lose clients and revenue, and our profitability could decline.

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

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

As part of our current succession plan, the roles of CFO and CEO have been or will be transitioned to new leaders during 2009. The transition of these key leadership positions may result in increased training costs as well as a loss of institutional knowledge, industry relationships, or expertise developed by the former CFO and CEO.

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

The ability to attract and retain trained professionals is one of the key drivers of our business and results. Therefore, the success of an acquisition depends in part on our ability to retain key employees of the acquired firm. Competition for qualified staff can be very intense. In addition, key employees may depart because of issues relating to the uncertainty and difficulty of the completion of the acquisition or integration or a desire not to remain with the combined company. Accordingly, we may be unable to retain key employees to the same extent that we were able to do so in the past.

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

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

and safety hazards because they may require additional time to complete or because employee time may be lost due to injury.

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

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

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

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

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

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

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

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

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

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

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

Our share price has experienced volatility in the past and will likely be volatile in the future. For example, the intraday high and low prices for our common shares on the TSX and New York Stock Exchange (NYSE) during the 52 weeks ended December 31, 2008, were $40.10 and $16.35, respectively, and US$40.30 and US$12.70, respectively.

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

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

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

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

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

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

We could be exposed to civil and/or statutory liability to employees arising from injuries or deaths because of inadequate health and safety policies and procedures.

Although we maintain a Health, Safety & Environment program that assists employees in identifying hazards and risks in the workplace, if our policies are not current or periodically reviewed and understood by our employees in light of the projects we are working on with our clients, we run the risk that injuries or deaths may occur, resulting in potential liability in either, or both, the civil or statutory context.

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

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

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

We often contract with outside companies to perform designated portions of the services we provide to our clients. In 2008, subconsultant costs accounted for approximately 11.1% (2007 – 8.6%) of our gross revenue. If we are unable to engage qualified subconsultants, our ability to perform under some of our contracts may be impeded and the quality of our service may decline. As a consequence, we may lose projects, revenue, and clients.

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

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

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

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

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

To establish and protect our intellectual property rights, we rely on a combination of trademark and trade secret laws, along with licenses, exclusivity agreements, and other contractual covenants. However, the measures we take

to protect our intellectual property rights may prove inadequate to prevent the misappropriation of our intellectual property. Litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type could result in substantial costs and the diversion of resources, may result in counterclaims or other claims against us, and could significantly harm the results of our operations.

Managing Our Risks

We mitigate our operating, market, and growth and acquisition integration risks through our business strategy and other measures. As mentioned previously, our three-dimensional business model based on geographic, practice area, and life cycle diversification reduces our dependency on any particular industry or economic sector for our income. To help reduce our susceptibility to industry-specific and regional economic cycles and to take advantage of economies of scale in the highly fragmented professional services industry, we intend to continue to diversify our business both in terms of geographic presence and service offerings. From the beginning of 2002 to December 31, 2008, we have completed 40 acquisitions, and we expect to continue to pursue selective acquisitions that will enable us to enhance our market penetration and increase and diversify our revenue base. We also differentiate our Company from competitors by entering into a diverse range of contracts with a variety of fee amounts. Focusing on this project mix continues to ensure that we do not rely on a few large, single projects for our revenue and that no single client or project accounts for more than 5% of our overall business.

To address the risk of competition for qualified personnel, we offer a number of employment incentives, including training programs, access to a plan that provides the benefit of employee share ownership, and opportunities for professional development and enhancement, along with compensation plans that we believe to be competitive, flexible, and designed to reward top performance. In 2008, we completed a number of activities, including the introduction of an employment equity program. Along with ensuring that there are no barriers to hiring and promoting talented people, the program looks at ways to better understand the needs of a diverse workforce. We also implemented a wellness program that offers a variety of services, including access to a health coach, online health information, on-site biometrics testing, and free miniphysicals. In addition, we expanded our Career Development Center with updated content and new in-house programs and training, including a leadership training program, which we delivered across the Company to help develop and enhance the skills and capabilities of new and evolving leaders. The Career Development Center is the online source for all our learning, coaching and mentoring, and professional and career development resources, and the new leadership training program covers eight core competencies that align with Stantec values. We also updated the professional development section of the center to include continuing education requirements according to state and provincial boards for professional engineers, landscape architects, architects, geologists, and land surveyors. As well, we continue to improve our project manager and leadership portal dashboard training programs. These programs are intended to make financially related information more visible in order to assist our operations leadership in improving performance and decision making. We recognize that through improved project management across our operations we will increase our ability to deliver projects on schedule and within budget.

With regards to effective project management and execution, in 2008 we achieved registration with the International Organization for Standardization's (ISO) 9001:2000 quality management standard. In addition, we achieved ISO/IEC 20000 certification, which is specific to IT systems. ISO 9001:2000 is a globally recognized set of requirements for establishing effective quality management systems, and ISO/IEC 20000 is a standard that sets out the requirements for establishing an IT service management system.

Since our operations are dependent on the abilities and efforts of senior management and other key personnel, our Board of Directors and senior leaders regularly review succession plans for management.

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

We maintain insurance coverage for our operations, including policies covering general liability, automobile liability, environmental liability, workers' compensation and employers' liability, directors' and officers' liability, and professional liability. We have a regulated captive insurance company to insure and fund the payment of any professional liability self-insured retentions related to claims arising after August 1, 2003. We, or our clients, also obtain project-specific insurance for designated projects from time to time. In addition, we invest resources in a Risk Management team that is dedicated to providing Company-wide support and guidance on risk avoidance practices and procedures. One of our practices is to carry out select client evaluations, including credit risk appraisals, before entering into contract agreements to reduce the risk of non-payment for our services.

To address the risk of being unsuccessful in integrating acquired companies, we have an acquisition and integration program managed by a dedicated acquisition team. The team supports, or is responsible for, the tasks of identifying and valuing acquisition candidates, undertaking and coordinating due diligence, negotiating and closing transactions, and integrating employees and systems immediately following an acquisition. In addition, a senior regional or practice leader is appointed for each acquisition to support the integration process. We also have a coordinated integration plan that involves the implementation of our Company-wide information technology and financial management systems as well as provision of "back office" support services from our corporate and regional offices.

As well, we have a dedicated IFRS conversion team in place. The team has prepared a detailed work plan for the implementation of IFRS and is in the process of completing the detailed assessment and solution development phases of the plan. We have also established an IFRS Advisory Committee consisting of a cross section of management. The IFRS conversion team provides regular updates to the IFRS Advisory Committee and the Audit Committee, including reports on the progress made on the detailed work plan.

CONTROLS AND PROCEDURES

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

Under the supervision and with the participation of management, including our CEO and CFO, we carried out an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2008, (as defined in rules adopted by the Securities and Exchange Commission (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 of the preparation of financial statements for external purposes in accordance with generally accepted accounting principals. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of our financial reporting and of the preparation of our financial statements. Accordingly, management, including our CEO and CFO, does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. Management's Annual Report on Internal Control over Financial Reporting and the Independent Auditors' Report on Internal Controls are included in our 2008 consolidated financial statements.

There has been no change in our internal control over financial reporting during the year ended December 31, 2008, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

CORPORATE GOVERNANCE

Disclosure Committee

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

Board of Directors

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

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

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

In 2008, Stantec's board included two committees—the Audit Committee and the Corporate Governance and Compensation Committee. Both committees are composed entirely of unrelated, independent directors.

Audit Committee

The Audit Committee monitors, evaluates, approves, and makes recommendations on matters affecting Stantec's external audit, financial reporting, and accounting control policies. The committee met 11 times in 2008. The chairman of the committee provides regular reports at the Company's board meetings. The board has determined that each of the Audit Committee's members is financially literate and that the majority of the members are "financial experts" as such term is defined under the rules of the SEC and NYSE.

Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee monitors, evaluates, approves, and makes recommendations on matters affecting governance and compensation. Governance matters include, but are not limited to, board size, nominations, orientation, education, and self-evaluation. Compensation matters include, but are not limited to, executive management compensation, performance review, and succession plans. The Corporate Governance and Compensation Committee met three times in 2008. The chairman of the committee provides regular reports at the Company's board meetings.

More information about Stantec's corporate governance can be found on our web site (www.stantec.com) and in the Management Information Circular for our May 14, 2009, annual meeting of shareholders. In addition, the following documents are posted on our web site:

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

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

SUBSEQUENT EVENT

Acquisition
On January 2, 2009, we acquired the shares and business of Jacques Whitford, for cash consideration of $64 million and notes payable of $79 million, which added approximately 1,700 staff to our Company. The acquisition of this firm will significantly strengthen the service offerings in our Environment practice. This acquisition also increases our presence in Atlantic Canada; expands and enhances our geotechnical engineering capabilities; increases our ability to provide environmental and geoscientific assessments in Canada's Arctic and Alberta for resource development; expands our ability to support the mining sector; and expands our air quality services.

Management Report

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

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

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

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at December 31, 2008.

As permitted by published guidance of the U.S. Securities and Exchange Commission (SEC), management's evaluation of and conclusions on the effectiveness of internal control over financial reporting excluded the internal controls of SII Holdings, Inc. (Secor) acquired on February 1, 2008. The assets and liabilities and results of operations from Secor are included in the Company's consolidated financial statements. The total assets of Secor, on its acquisition date, were $80.6 million. These assets as a percentage of the Company's total assets, as at December 31, 2008, were 7.0%. The gross revenue earned by Secor from its date of acquisition to December 31, 2008, constituted 9.4% of the Company's gross revenue for the year ended December 31, 2008.

Ernst & Young LLP, which has audited the consolidated financial statements of the Company for the year ended December 31, 2008, has also issued a report on the effectiveness of the Company's internal control over financial reporting.



Tony Franceschini, P.Eng.
President & CEO
February 25, 2009



Dan Lefaivre, CMA
Senior Vice President & CFO
February 25, 2009

Independent Auditors' Report on Financial Statements

To the Shareholders of Stantec Inc.

We have audited the consolidated balance sheets of Stantec Inc. as at December 31, 2008 and 2007 and the consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

We have also audited, in accordance with the Standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2008 based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2009, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chartered Accountants
Edmonton, Canada
February 25, 2009

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 at December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Stantec Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

As indicated in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of SII Holdings, Inc. (Secor), which are included in the 2008 consolidated financial statements of Stantec Inc. and constituted 7.0% of total assets at December 31, 2008 and 9.4% of gross revenues for the year then ended. Our audit of internal control over financial reporting of Stantec Inc. also did not include an evaluation of the internal control over financial reporting of Secor.

In our opinion, Stantec Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) the consolidated balance sheets of Stantec Inc. as at December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008 and our report dated February 25, 2009, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chartered Accountants
Edmonton, Canada
February 25, 2009

Consolidated Balance Sheets

(In thousands of Canadian dollars)	**December 31 2008 $**	December 31 2007 $
ASSETS *(note 8)*		
Current		
Cash and cash equivalents	**103,979**	14,175
Cash held in escrow *(note 2)*	**7,392**	-
Accounts receivable, net of allowance for doubtful accounts of $11,597 ($10,508 – 2007)	**256,243**	205,692
Costs and estimated earnings in excess of billings	**75,602**	65,064
Income taxes recoverable	**7,647**	5,019
Prepaid expenses	**8,094**	6,617
Future income tax assets (*note 17*)	**15,265**	13,308
Other assets (*note 6*)	**6,503**	13,373
Total current assets	**480,725**	323,248
Property and equipment (*note 3*)	**114,410**	88,156
Goodwill (*note 4*)	**446,818**	332,922
Intangible assets (*note 5*)	**45,989**	32,288
Future income tax assets *(note 17*)	**20,786**	12,074
Other assets (*note 6*)	**36,158**	24,873
Total assets	**1,144,886**	813,561
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (*notes 7 and 9*)	**198,228**	155,020
Billings in excess of costs and estimated earnings	**43,845**	34,423
Income taxes payable	**9,920**	9,955
Current portion of long-term debt (*note 8*)	**34,096**	21,549
Future income tax liabilities (*note 17*)	**13,920**	11,750
Total current liabilities	**300,009**	232,697
Long-term debt (*note 8*)	**215,113**	74,539
Future income tax liabilities (*note 17*)	**26,492**	20,718
Other liabilities (*note 9*)	**64,297**	42,909
Total liabilities	**605,911**	370,863
Commitments, contingencies, and guarantees (*notes 2, 8, 10, and 12*)		
Shareholders' equity		
Share capital (*note 13*)	**218,757**	218,790
Contributed surplus (*note 13*)	**10,458**	6,266
Deferred stock compensation	**-**	(110)
Retained earnings	**308,629**	286,780
Accumulated other comprehensive income (loss) *(note 16)*	**1,131**	(69,028)
Total shareholders' equity	**538,975**	442,698
Total liabilities and shareholders' equity	**1,144,886**	813,561

See accompanying notes

On behalf of the Board of Directors:



Director



Director

Consolidated Statements of Income

Years ended December 31	**2008**	2007	2006
(In thousands of Canadian dollars, except per share amounts)			
	$	$	$
INCOME			
Gross revenue	**1,351,951**	954,619	816,133
Less subconsultant and other direct expenses	**221,827**	123,731	108,206
Net revenue	**1,130,124**	830,888	707,927
Direct payroll costs	**500,789**	360,101	304,677
Gross margin	**629,335**	470,787	403,250
Administrative and marketing expenses *(notes 13 and* 23)	**466,187**	351,346	292,064
Depreciation of property and equipment	**25,405**	19,038	15,604
Amortization of intangible assets	**10,679**	3,702	6,132
Impairment of goodwill and intangible assets *(notes 4 and 5)*	**58,369**	-	-
Net interest expense *(note 8)*	**7,477**	1,594	1,892
Share of income from associated companies	**(160)**	(292)	(285)
Foreign exchange gains	**(2,033)**	(2,480)	(74)
Other income	**(1,088)**	(1,235)	(1,507)
Income before income taxes	**64,499**	99,114	89,424
Income taxes (*note 17*)			
Current	**41,213**	34,994	31,484
Future	**(5,731)**	(5,159)	(2,242)
Total income taxes	**35,482**	29,835	29,242
Net income for the year	**29,017**	69,279	60,182
Earnings per share (*note 18*)			
Basic	**0.64**	1.52	1.34
Diluted	**0.63**	1.50	1.31

See accompanying notes

Consolidated Statements of Shareholders' Equity and Comprehensive Income

(In thousands of Canadian dollars, except shares outstanding)	Shares Outstanding *(note 13)* #	Share Capital *(note 13)* $	Contributed Surplus *(note 13)* $	Deferred Stock Compensation $	Retained Earnings $	Accumulated Other Comprehensive Income (Loss) (AOCI) *(note 16)* $	Total $
Balance, December 31, 2005	44,626,262	210,604	5,522	(833)	158,335	(25,575)	348,053
Comprehensive income:							
Net income					60,182		60,182
Currency translation adjustments						731	731
Total comprehensive income					60,182	731	60,913
Share options exercised for cash	607,080	1,865					1,865
Stock-based compensation expense			1,078	583			1,661
Shares repurchased under normal course issuer bid	(51,600)	(243)	(6)		(767)		(1,016)
Reclassification of fair value of share options previously expensed		239	(239)				-
Shares issued on vesting of restricted shares	20,043	316	(897)				(581)
Balance, December 31, 2006	45,201,785	212,781	5,458	(250)	217,750	(24,844)	410,895
Retained earnings and AOCI					192,906		
Balance, December 31, 2006	45,201,785	212,781	5,458	(250)	217,750	(24,844)	410,895
Change in accounting policy						481	481
Balance, January 1, 2007, as adjusted	45,201,785	212,781	5,458	(250)	217,750	(24,363)	411,376
Comprehensive income:							
Net income					69,279		69,279
Currency translation adjustments						(45,669)	(45,669)
Unrealized gains on financial assets						1,249	1,249
Realized gains on financial assets transferred to net income						(245)	(245)
Total comprehensive income					69,279	(44,665)	24,614

Share options exercised for cash	386,598	1,920					1,920
Stock-based compensation expense			1,919	140			2,059
Shares repurchased under normal course issuer bid	(9,200)	(44)	(1)		(249)		(294)
Shares issued on acquisition	96,925	3,426					3,426
Reclassification of fair value of share options previously expensed		443	(443)				-
Shares issued on vesting of restricted shares	22,035	264	(667)				(403)
Balance, December 31, 2007	45,698,143	218,790	6,266	(110)	286,780	(69,028)	442,698
Retained earnings and AOCI					217,752		
Balance, December 31, 2007	45,698,143	218,790	6,266	(110)	286,780	(69,028)	442,698
Comprehensive income:							
Net income					29,017		29,017
Currency translation adjustments						76,923	76,923
Unrealized losses on cash flow hedge						(2,974)	(2,974)
Unrealized losses on financial assets						(3,641)	(3,641)
Realized gains on financial assets transferred to net income						(149)	(149)
Total comprehensive income					29,017	70,159	99,176
Share options exercised for cash	97,860	1,199					1,199
Stock-based compensation expense			4,887	110			4,997
Shares repurchased under normal course issuer bid	(351,400)	(1,688)	(58)		(7,168)		(8,914)
Reclassification of fair value of share options previously expensed		423	(423)				-
Shares issued on vesting of restricted shares	3,520	33	(214)				(181)
Balance, December 31, 2008	45,448,123	218,757	10,458	-	308,629	1,131	538,975
Retained earnings and AOCI					309,760		

See accompanying notes

Consolidated Statements of Cash Flows

Years ended December 31 *(In thousands of Canadian dollars)*	**2008** **$**	2007 $	2006 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash receipts from clients	**1,222,566**	940,085	816,846
Cash paid to suppliers	**(276,862)**	(259,493)	(221,056)
Cash paid to employees	**(737,931)**	(565,803)	(467,766)
Dividends from equity investments	**150**	450	450
Interest received	**1,857**	6,496	6,292
Interest paid	**(6,597)**	(4,271)	(7,665)
Income taxes paid	**(50,037)**	(33,656)	(37,588)
Income taxes recovered	**6,884**	3,691	3,876
Cash flows from operating activities (*note 19*)	**160,030**	87,499	93,389
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired *(note 2)*	**(92,087)**	(105,353)	(12,181)
Restricted cash used for acquisitions	**-**	1,073	19,793
Cash held in escrow *(note 2)*	**(6,178)**	-	-
Decrease (increase) in investments held for self-insured liabilities	**5,820**	(3,786)	(4,355)
Proceeds on disposition of investments	**9**	51	9
Purchase of property and equipment	**(35,637)**	(27,291)	(18,920)
Proceeds on disposition of property and equipment	**410**	134	104
Cash flows used in investing activities	**(127,663)**	(135,172)	(15,550)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Repayment of long-term debt	**(164,602)**	(78,514)	(85,612)
Proceeds from long-term borrowings	**228,337**	117,049	9,142
Repayment of acquired bank indebtedness *(note 2)*	**(1,788)**	(6,282)	(1,787)
Repayment of capital lease obligations	**(438)**	-	-
Repurchase of shares for cancellation *(note 13)*	**(8,914)**	(294)	(1,016)
Proceeds from issue of share capital *(note 13)*	**1,199**	1,920	1,865
Cash flows from (used in) financing activities	**53,794**	33,879	(77,408)
Foreign exchange gain (loss) on cash held in foreign currency	**3,643**	(394)	(211)
Net increase (decrease) in cash and cash equivalents	**89,804**	(14,188)	220
Cash and cash equivalents, beginning of the year	**14,175**	28,363	28,143
Cash and cash equivalents, end of the year	**103,979**	14,175	28,363

See accompanying notes

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

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

Generally accepted accounting principles

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP). These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below. The effects of differences between the application of Canadian GAAP and US GAAP on the financial statements of the Company are described in note 24.

Changes in accounting policies

a) Financial Instruments—Disclosures and Presentation. Effective January 1, 2008, the Company adopted the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, "Financial Instruments— Disclosures," and Section 3863, "Financial Instruments —Presentation." These pronouncements further aligned Canadian GAAP with US GAAP and International Financial Reporting Standards (IFRS). Section 3862 requires companies to provide disclosures in their financial statements that enable users to evaluate a) the significance of financial instruments for their financial position and performance and b) the nature and extent of risks arising from financial instruments to which they are exposed during the period and at the balance sheet date and how they manage those risks. Section 3863 establishes standards for the presentation of financial instruments. It addresses the classification of financial instruments between liability and equity; the classification of related interest, dividends, and losses and gains; and the circumstances in which financial assets and financial liabilities are offset. The adoption of these new standards has not had an effect on the Company's financial position or on the results of its operations. The Company has applied these new accounting standards prospectively in note 14, Financial Instruments.

b) Capital Disclosures. Effective January 1, 2008, the Company adopted the new CICA Handbook Section 1535, "Capital Disclosures." This section establishes standards for disclosing information about a company's capital and how it is managed in order that a user of the company's financial statements may evaluate its objectives, policies, and processes for managing capital. The adoption of this new standard has not had an effect on the Company's financial position or on the results of its operations. The Company has applied this new accounting standard prospectively in note 15, Capital Management.

Use of estimates

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

Principles of consolidation

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

Joint ventures and partnerships are accounted for on the proportionate consolidation basis, which results in the Company recording its pro rata share of the assets, liabilities, revenues, and expenses of each of these entities.

Cash and cash equivalents

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

Investments

Investments in associated companies over which the Company is able to exercise significant influence, but not control, are accounted for using the equity method, which reflects the Company's investment at original cost plus its share of earnings (losses) net of dividends received. These investments include Teshmont Consultants Inc. (50%), SSBV Consultants Inc. (33.3%), and Planning & Stantec Limited (50%).

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

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is calculated at annual rates designed to write off the costs of assets over their estimated useful lives as follows:

Engineering equipment	20–30%	declining balance
Business information systems		straight-line over 3–5 years
Office equipment	20–30%	declining balance
Automotive equipment	30%	declining balance
Leasehold improvements		straight-line over term of lease to a maximum of 15 years or the improvement's economic life
Buildings	4–5%	declining balance

Leases

Leases that transfer substantially all the risks and benefits of ownership of assets to the Company are accounted for as capital leases. Assets under capital leases are recorded at the inception of the lease together with the related long-term obligation to reflect the purchase and financing thereof. Assets under capital leases are for certain office and automotive equipment and are depreciated on a 20 to 30% declining balance basis. Rental payments under operating leases are expensed evenly over the lease term.

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

Goodwill

Goodwill is not amortized but is evaluated for impairment annually or when events or circumstances occur that are more likely than not to reduce the fair value of a reporting unit below its carrying value. Goodwill is evaluated by comparing the fair value of the reporting unit, determined on a discounted after-tax cash flow basis, to its carrying value. An impairment loss would be recognized in income if the carrying value of the goodwill were to exceed its fair value.

Long-lived assets

The cost of intangible assets with determinable lives is amortized over the period in which the benefits of such assets are expected to be realized, principally on a straight-line basis. The Company's policy is to amortize client relationships with determinable lives over periods ranging from 10 to 15 years. Contract backlog is amortized over estimated contractual lives of generally less than one and a half years. Other intangible assets include technology, non-compete agreements, and advantageous leasehold commitments, which are amortized over estimated lives of 3 to 11 years. The Company evaluates the recoverability of long-lived assets, including property and equipment and intangible assets with determinable lives, on an annual basis or when events or a change in circumstances indicate that their carrying value may exceed their fair value. The determination of recoverability is based on an estimate of undiscounted cash flow expected to result from the use of the related asset and factors such as expected future asset utilization and business climate. Based on this review, if it is determined that the long-lived asset is not fully recoverable, an impairment loss is recognized in income. The impairment loss is measured based on the amount that the carrying value of the long-lived asset exceeds its fair value.

Provision and investments held for self-insured liabilities

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

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

Derivative financial instruments and hedging

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

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

Non-interest-bearing debt

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

Revenue recognition

In the course of providing its services, the Company incurs certain direct costs for subconsultants and other expenditures that are recoverable directly from clients. These direct costs are included in the Company's gross revenue. Since such direct costs can vary significantly from contract to contract, changes in gross revenue may not be indicative of the Company's revenue trends. Accordingly, the Company also reports net revenue, which is gross revenue less subconsultant and other direct expenses.

Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method. Contract revenue is recognized on the ratio of contract costs incurred to total estimated costs. Provisions for estimated losses on incomplete contracts are made in the period in which the losses are determined. Revenue from time-and-material contracts without stated ceilings and from short-term projects is recognized as costs are incurred. Revenue is calculated based on billing rates for the services performed. Costs and estimated earnings in excess of billings represent work in progress that has been recognized as revenue but not yet invoiced to clients. Billings in excess of costs and estimated earnings represent amounts that have been invoiced to clients but not yet recognized as revenue. Revenue does not include taxes collected from clients that are reimbursable to government authorities.

Employee benefit plans

The Company contributes to group retirement savings plans and an employee share purchase plan based on the amount of employee contributions subject to maximum limits per employee. The Company accounts for defined contributions as an expense in the period in which the contributions are made. The Company does not provide postemployment or postretirement benefits.

Foreign currency translation

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

The Company's US-based subsidiaries are designated as self-sustaining operations. The financial statements of these subsidiaries are translated using the current rate method. Under this method, assets and liabilities are translated at the rate of exchange in effect at the balance sheet date, and revenue and expense items (including depreciation and amortization) are translated at the average rate of exchange for the month. The resulting unrealized exchange gains and losses on US-based subsidiaries are included as a separate component of shareholders' equity in accumulated other comprehensive income.

Stock-based compensation and other stock-based payments

The Company has one share option plan (described in note 13) and accounts for grants under this plan in accordance with the fair value-based method of accounting for stock-based compensation. Compensation expense for stock options awarded under the plan is measured at the fair value at the grant date using the Black-Scholes valuation model and is recognized over the vesting period of the options granted. The Company estimates its forfeiture rate in order to determine the compensation expense arising from stock-based awards.

Income taxes

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

Earnings per share

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

Allowance for doubtful accounts

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

Recent accounting pronouncements

a) International Financial Reporting Standards. In 2005, the CICA announced its plans to converge Canadian GAAP for public entities with IFRS over a transition period that will end in 2011. In February 2008, the CICA confirmed that Canadian reporting issuers will need to begin reporting under IFRS by the first quarter of 2011 with comparative figures. IFRS uses a conceptual framework similar to that used by Canadian GAAP, but there are differences in recognition, measurement, and disclosure.

The Company started its IFRS conversion project in 2008. This project consists of five phases: 1) preliminary planning and scoping, 2) detailed assessment, 3) solution development, 4) implementation, and 5) postimplementation review.

In 2008, the Company completed the preliminary planning and scoping phase and started the detailed assessment and solution development phases. The first phase included the establishment of a dedicated team to work on the IFRS transition and an IFRS Advisory Committee consisting of a cross section of management. The IFRS team provides updates to the IFRS Advisory Committee and the Audit Committee, including reports on the progress made on the detailed work plan. As well, during the planning and scoping phase, the Company completed a high-level diagnostic that identified the major differences between Canadian GAAP and IFRS and prioritized the IFRS requirements based on their financial reporting impact, business impact, and complexity.

In 2008, the Company also started the detailed assessment and solutions development phase, which it expects to complete by the end of 2009. These phases involve the establishment of issue-specific workgroups to perform a detailed diagnostic, the selection of accounting policies when alternatives are available, and the formulation of solutions for the implementation of IFRS. As well, during this phase, the Company will establish and implement a communication and training plan. Before 2010, the Company expects to make changes to certain processes and systems, in time to enable recording transactions under IFRS for comparative reporting purposes in 2011. At this stage of the project, it is not practically possible to quantify the financial reporting impact of the differences between Canadian GAAP and IFRS.

b) Business Combinations. In January 2009, the CICA issued the new handbook Section 1582, “Business Combinations,” effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with US GAAP and IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. Although the Company is considering the impact of the adoption of this

pronouncement on its consolidated financial statements, the impact will be limited to any future acquisitions beginning in fiscal 2011.

In January 2009, the CICA issued the new handbook Section 1601, “Consolidated Financial Statements,” and Section 1602, “Non-Controlling Interests,” effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These pronouncements further align Canadian GAAP with US GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting of ownership interests in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent’s equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, these pronouncements establish standards for a change in a parent’s ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Company is currently considering the impact of the adoption of these pronouncements on its consolidated financial statements in fiscal 2011 in connection with its conversion to IFRS.

c) Fair Value of Financial Assets and Financial Liabilities. In January 2009, the CICA issued the Emerging Issues Committee (EIC) Abstract EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities,” effective for interim and annual financial statements ending on or after January 20, 2009. Earlier adoption of this abstract is permitted. EIC-173 provides further information on the determination of the fair value of financial assets and financial liabilities under Section 3855, “Financial Instruments—Recognition and Measurement.” It states that an entity's own credit and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 should be applied retrospectively, without restatement of prior periods, to all financial assets and liabilities measured at fair value. The Company will adopt this abstract during the first quarter of the 2009 fiscal year. The Company is currently considering the impact of adopting EIC-173 on its consolidated financial statements and cannot reasonably estimate its effect at this time.

2. Business Acquisitions

Acquisitions are accounted for under the purchase method of accounting, and the results of operations since the respective dates of acquisition are included in the consolidated statements of income. From time to time, as a result of the timing of acquisitions in relation to the Company's reporting schedule, certain of the purchase price allocations may not be finalized at the initial time of reporting. Purchase price allocations are completed after the vendors' final financial statements and income tax returns have been prepared and accepted by the Company. Such preliminary purchase price allocations are based on management's best estimates of the fair values of the acquired assets and liabilities. Upon finalization, adjustments to the initial estimates may be required, and these adjustments may be material.

The purchase prices of acquisitions may be subject to price adjustment clauses included in the purchase agreements. At each consolidated balance sheet date, these purchase price adjustment clauses are reviewed, which may result in an increase or reduction to the note payable consideration recorded at acquisition to reflect either more or less non-cash working capital than was originally recorded.

As at December 31, 2008, additional consideration, specified in certain purchase agreements, may be payable based on future performance parameters. This contingent consideration is not determinable and will be recognized as an adjustment to goodwill in the period in which the contingency is resolved. In some cases, the dollar amount of the contingent consideration is determinable and written in the purchase agreement but is still not recorded until the contingency is resolved. As at December 31, 2008, there was no (December 31, 2007 – $300,000) contingent consideration of this nature.

In the case of some acquisitions, additional payments may be made to the employees of an acquired company that are based on their continued service over an agreed period of time. These additional payments are not included in the purchase price. They are expensed as compensation as services are provided by the employees.

Acquisitions in 2008

On January 2, 2008, the Company acquired the shares and business of The Zande Companies, Inc. for cash consideration and notes payable. In addition, at acquisition US$1.56 million was placed in an escrow account, pending the outcome of purchase price adjustment clauses included in the purchase agreement, and a corresponding US$1.56 million obligation was recorded. Any increase or reduction to this obligation is recorded as an adjustment to the net assets acquired. During 2008, due to purchase price adjustments, US$491,000 was returned to the Company, and the obligation was reduced accordingly. On January 2, 2009, the funds remaining in escrow were paid to the representative of the former shareholders of Zande Companies, Inc. The acquisition of this firm strengthened the Company's operations in the midwestern United States and increased the depth of its service offerings to public sector clients in the environment sector. The Zande Companies, Inc. provides services mainly in water and wastewater treatment facility design, environmental management, and transportation, as well as complementary services in planning, landscape architecture, surveying, and land development.

On January 2, 2008, the Company acquired the net assets and business of Rochester Signal, Inc. for cash consideration and notes payable. The addition of this firm supplemented the existing transit-related services offered by the Company. Rochester Signal, Inc. provides signal design and related construction management, installation, and testing services, along with engineering support for the development of all types of rail systems, from main and commuter lines to rapid transit and light rail.

On February 1, 2008, the Company acquired the shares and business of SII Holdings, Inc. (Secor) for cash consideration. In addition, at acquisition US$5 million was placed in an escrow account to be settled on February 1, 2009, pending the outcome of purchase price adjustment clauses included in the purchase agreement. A corresponding US$5 million obligation was recorded at acquisition. Any increase or reduction to this obligation is recorded as an adjustment to non-cash working capital. On February 1, 2009, US$4.5 million of the escrow funds was paid to the former shareholders of Secor. The remaining US$0.5 million remains in escrow, pending the resolution of purchase price adjustment clauses included in the purchase agreement. The acquisition of this firm significantly increased the Company’s service offerings in the environment sector. Secor provides expertise in downstream marketing remedial services to the US energy industry, as well as comprehensive environmental remediation services to the manufacturing, chemical, pulp and paper, and transportation industries.

On March 14, 2008, the Company acquired the shares and business of RHL Design Group, Inc. for cash consideration and promissory notes. The acquisition of this firm, headquartered in Petaluma, California, with several offices in the western United States, significantly increased the Company's commercial development services. RHL Design Group, Inc. provides full program implementation and comprehensive design services to commercial clients with facilities in multiple locations.

On July 2, 2008, the Company acquired the shares and business of McIntosh Engineering Holdings Corporation for cash consideration and notes payable. The addition of this firm provided the Company with a more visible presence in the mining sector and expanded its operations in Tempe, Arizona, and Sudbury and North Bay, Ontario. McIntosh Engineering Holdings Corporation provides expertise in underground mining engineering.

During 2008, the Company adjusted the purchase price on the Vollmer Associates LLP; Trico Engineering Consultants, Inc.; Chong Partners Architecture, Inc.; Woodlot Alternatives, Inc.; Neill and Gunter companies; Murphy Hilgers Architects Inc.; Fuller, Mossbarger, Scott & May Engineers, Inc.; Secor; RHL Design Group, Inc.; and McIntosh Engineering Holdings Corporation acquisitions pursuant to purchase price adjustment clauses included in the purchase agreements. These adjustments impacted non-cash working capital and notes payable. Also during 2008, the Company adjusted the purchase price on the CPV Group Architects & Engineering Ltd. acquisition due to the payment of contingent consideration. This adjustment impacted goodwill (note 4).

During 2008, the purchase price allocations for the Vollmer Associates LLP; Geller DeVellis, Inc.; Trico Engineering Consultants, Inc.; Chong Partners Architecture, Inc.; Woodlot Alternatives, Inc.; Neill and Gunter companies; Moore Paterson Architects Inc.; Murphy Hilgers Architects Inc.; Fuller, Mossbarger, Scott & May Engineers, Inc.; The Zande Companies, Inc.; Rochester Signal, Inc.; and Secor acquisitions were finalized. The Company expects to finalize the purchase price allocations for the RHL Design Group, Inc. acquisition during the first quarter of 2009 and for the McIntosh Engineering Holdings Corporation acquisition during the second quarter of 2009.

Acquisitions in 2007

On March 9, 2007, the Company acquired the net assets and business of Nicolson Tamaki Architects Inc. for cash consideration and notes payable. This acquisition supplemented the Company's architecture services in British Columbia, Canada.

On April 2, 2007, the Company acquired the partnership interest and business of Vollmer Associates LLP for cash consideration and notes payable. The notes payable are subject to purchase price adjustment clauses included in the purchase agreement and may be adjusted to reflect either more or less non-cash working capital realized than was originally expected. The acquisition of this firm, headquartered in New York City, strengthened the Company’s engineering, architecture, planning, landscape architecture, and survey services in the transportation sector in the US East.

On April 2, 2007, the Company acquired the net assets and business of Land Use Consultants, Inc. for cash consideration. This acquisition supplemented the Company’s operations in Portland, Maine, and expanded its planning and landscape architecture services in the northern New England region.

On May 18, 2007, the Company acquired the net assets and business of Geller DeVellis Inc., a firm based in Boston, Massachusetts, for cash consideration. This acquisition strengthened the Company’s planning, landscape architecture, and civil engineering design capabilities and presence in the New England region.

On August 31, 2007, the Company acquired the shares and business of Trico Engineering Consultants, Inc. for cash consideration and notes payable. This acquisition strengthened the Company’s civil engineering, surveying, landscape architecture, and planning capabilities in Charleston, South Carolina, and expanded the depth of its services throughout the southeastern United States.

On September 14, 2007, the Company acquired the shares and business of Chong Partners Architecture, Inc. for cash consideration and notes payable. The acquisition of this firm, headquartered in San Francisco, California, with additional offices in Sacramento and San Diego, enhanced the Company’s architecture presence in the United States, particularly in California, and provided a foundation for further expansion of its American architecture practice.

On October 1, 2007, the Company acquired the shares and business of Woodlot Alternatives, Inc. for cash consideration and notes payable. The addition of this firm, which specializes in natural resource assessment, permitting, and environmental engineering, strengthened the Company’s presence in Maine and New England.

On October 19, 2007, the Company acquired the shares and business of Neill and Gunter, Incorporated; Neill and Gunter Limited; and Neill and Gunter (Nova Scotia) Limited for cash consideration, notes payable, and Stantec common shares. The number of common shares issued as consideration (96,925) was based on the average of the closing price of the Stantec common shares on the Toronto Stock Exchange for five trading days around the acquisition date. These acquisitions brought greater depth to the Company’s industrial practice, enhanced its operations in New England, and provided access to a new market in Atlantic Canada.

On November 16, 2007, the Company acquired the net assets and business of Moore Paterson Architects Inc. for cash consideration and notes payable. This acquisition strengthened the Company's architecture, planning, and project management services on Vancouver Island and the Lower Mainland of British Columbia.

On November 23, 2007, the Company acquired the shares and business of Murphy Hilgers Architects Inc., Brentcliffe Financial Service Inc., and Dekko Studio Inc. for cash consideration and notes payable. This acquisition expanded the Company's operations in Toronto, Ontario, and added further depth to its expertise in designing health care, judicial, and retail and commercial facilities.

On December 31, 2007, the Company acquired the shares and business of Fuller, Mossbarger, Scott & May Engineers, Inc. and Leestown Leasing, L.L.C. for cash consideration and notes payable. This acquisition created a presence in Kentucky, Ohio, Missouri, and Indiana and brought geotechnical engineering capabilities to the Company. As well, it added expertise in several specialty engineering areas, including dams, levees, and underwater structures, which complemented the Company's existing services and enhanced its water resources capabilities.

During 2007, the Company adjusted the purchase price on the Dunlop Architects Inc. (2004), CPV Group Architects & Engineers Ltd. (2005), Keen Engineering Co. Ltd. (2005), Carinci Burt Rogers Engineering, Inc. (2006), Dufresne-Henry, Inc. (2006), ACEx Technologies, Inc. (2006), Vollmer Associates LLP (2007), Chong Partners Architecture, Inc. (2007), and Trico Engineering Consultants, Inc. (2007) acquisitions pursuant to price adjustment clauses included in the purchase agreements. These adjustments impacted non-cash working capital.

Aggregate consideration paid

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

(In thousands of Canadian dollars)	**Total 2008 $**	Total 2007 $
Cash consideration	**97,887**	109,955
Share consideration	**-**	3,426
Notes payable	**30,767**	41,199
Purchase price	**128,654**	154,580
Assets and liabilities acquired at fair values		
Cash acquired	**5,800**	4,602
Bank indebtedness assumed	**(1,788)**	(6,282)
Non-cash working capital	**13,308**	20,151
Property and equipment	**10,717**	17,025
Investments	**-**	12
Goodwill	**99,959**	114,017
Intangible assets		
Client relationships	**19,589**	8,933
Contract backlog	**4,542**	4,298
Other	**(1,805)**	2,914
Other long-term liabilities	**(482)**	(1,933)
Long-term debt	**(16,105)**	(6,486)
Future income taxes	**(4,214)**	(2,671)
Capital lease obligations	**(867)**	-
Net assets acquired	**128,654**	154,580

Of the goodwill and intangible assets resulting from acquisitions completed in 2008, $12,416,166 (2007 –$35,936,000) is deductible for income tax purposes.

At the time of acquisition, management estimates the exit costs of consolidating or closing offices occupied by the acquired entity. These costs are accrued in other long-term liabilities or non-cash working capital as part of the purchase price allocation (note 9). Adjustments to the exit liabilities may impact goodwill. In 2008, the Company adjusted the exit liability for Keen Engineering Co. Ltd.

3. Property and Equipment

	2008		2007	
(In thousands of Canadian dollars)	**Cost $**	**Accumulated Depreciation $**	Cost $	Accumulated Depreciation $
Engineering equipment	**75,111**	**41,338**	60,295	31,689
Business information systems	**20,289**	**13,647**	18,055	10,675
Office equipment	**39,616**	**20,098**	30,151	15,288
Automotive equipment	**9,697**	**6,384**	7,952	4,433
Leasehold improvements	**52,074**	**12,648**	35,774	7,185
Assets under capital leases	**1,361**	**304**	-	-
Buildings	**10,050**	**1,391**	5,446	1,114
Land	**2,022**	**-**	867	-
	210,220	**95,810**	158,540	70,384
Net book value		**114,410**		88,156

Included in leasehold improvements is construction work in progress in the amount of $292,000 (2007 – $2,845,000), on which depreciation has not started. The Company entered into capital leases for certain office and automotive equipment. The depreciation on assets under capital leases was $304,000 for 2008 (2007 – nil).

4. Goodwill

(In thousands of Canadian dollars)	**2008 $**	2007 $
Goodwill, beginning of the year	**332,922**	251,491
Current year acquisitions	**99,606**	112,892
Impairment	**(53,000)**	-
Contingent consideration payments	**1,419**	199
Purchase price adjustments	**(1,066)**	926
Impact of foreign exchange	**66,937**	(32,586)
Goodwill, end of the year	**446,818**	332,922

In accordance with its accounting policies, during the third quarter of each year, or more frequently if circumstances indicate that an impairment may occur, the Company conducts an annual goodwill impairment test. Goodwill impairment testing is a two-step process. In the first step, the Company compares the fair value of its reporting units, which is determined on a discounted after-tax cash flow basis, to their carrying value. If the carrying value of a reporting unit exceeds its fair value, goodwill is potentially impaired and step two of the impairment test must be performed. In step two, the Company compares the estimated fair value of the goodwill of its reporting units to their carrying value. If it is concluded that an impairment to goodwill exists, a reduction in the carrying value of the goodwill is recorded on the consolidated balance sheet and recognized as a non-cash impairment charge in income.

The Company completed step one of the goodwill impairment test during the third quarter of 2008. In performing the goodwill assessment, it used current market capitalization, discounted cash flows, and other factors as the best evidence of fair value. After completing step one, the Company determined that goodwill was potentially impaired since the estimated fair value of its US-based reporting units was less than their carrying value. As a result, in the third quarter, the Company estimated the step two goodwill impairment by determining the implied fair value of goodwill in the same manner as if it had acquired the reporting units as of the date of the step one assessment.

As at September 30, 2008, the second step of the goodwill impairment test was not complete, and management recorded its best estimate of the goodwill impairment as $53.0 million. During the fourth quarter of 2008, the Company completed step two of the goodwill impairment test and concluded that no further adjustment to this estimate was required.

The goodwill impairment charge is non-cash in nature and does not affect the Company's liquidity, cash flows from operating activities, or debt covenants and will not have an impact on future operations.

5. Intangible Assets

	2008			**2007**	
	Gross Carrying Amount	**Accumulated Amortization**	**Impairment of Asset**	Gross Carrying Amount	Accumulated Amortization
(In thousands of Canadian dollars)	$	$	$	$	$
Client relationships	**58,683**	**11,200**	**5,369**	32,023	6,525
Contract backlog	**7,643**	**4,989**	**-**	4,583	564
Other	**2,163**	**942**	**-**	3,369	598
	68,489	**17,131**	**5,369**	39,975	7,687
Carrying amount		**45,989**		32,288	

Once an intangible asset is fully amortized, the gross carrying amount and related accumulated amortization are removed from the accounts. Other than goodwill, the Company has not recorded any intangible assets with indefinite lives. For intangible assets held as of December 31, 2008, the estimated aggregate amortization expense for each of the next five years and thereafter is as follows:

(In thousands of Canadian dollars)	$
2009	7,324
2010	4,530
2011	4,519
2012	4,423
2013	4,330
Thereafter	20,863
	45,989

In accordance with its accounting policies, during the third quarter of 2008, the Company completed its annual impairment test of intangible assets to determine if the carrying amount of the assets is fully recoverable. The determination of recoverability is based on an estimate of undiscounted cash flow, and the measurement of impairment loss is based on the amount that the carrying value of an intangible asset exceeds its fair value. As part of the impairment test, the Company updated 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 assets. Based on the

results of this review, the Company concluded that intangible assets relating to certain client relationships were not fully recoverable and therefore recorded a non-cash $5,369,000 impairment charge to income. The impairment primarily reflected the financial distress experienced by specific clients in relation to The Keith Companies, Inc. (Keith) acquisition.

6. Other Assets

(In thousands of Canadian dollars)	**2008** **$**	2007 $
Investments held for self-insured liabilities	**26,540**	28,913
Investments in associated companies	**1,226**	1,187
Investments – other	**774**	701
Holdbacks on long-term contracts	**3,933**	2,583
Assets held for sale	**621**	-
Other	**9,567**	4,862
	42,661	38,246
Less current portion	**6,503**	13,373
	36,158	24,873

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

The fair value of the bonds at December 31, 2008, was $18,657,000 (2007 – $20,024,000), and the fair value of the equities was $7,883,000 (2007 – $8,889,000). The amortized cost of the bonds at December 31, 2008, was $17,960,000 (2007 – $19,949,000), and the cost of the equities was $10,924,000 (2007 – $7,449,000). The bonds bear interest at rates ranging from 3.25 to 7.0% per annum (2007 – 2.9 to 7.0%). The term to maturity of the bond portfolio, stated at fair value, is $3,144,000 (2007 – $3,694,000) due within one year, $13,533,000 (2007 –$15,445,000) due within two to five years, and $1,980,000 (2007 – $885,000) due within five to seven years.

The Company is in the process of selling certain properties mainly due to a move to a larger office premise during the year. These properties meet the criteria for assets held for sale. Therefore, these assets are measured at the lower of their carrying amount and fair value less costs to dispose and are no longer depreciated.

7. Accounts Payable and Accrued Liabilities

(In thousands of Canadian dollars)	**2008** **$**	2007 $
Trade accounts payable	**49,774**	40,155
Employee and payroll liabilities	**113,934**	83,621
Accrued liabilities	**34,520**	31,244
	198,228	155,020

8. Long-Term Debt

(In thousands of Canadian dollars)	**2008** **$**	2007 $
Non-interest-bearing note payable	**162**	147
Other notes payable	**55,940**	43,872
Bank loan	**192,544**	52,069
Capital lease obligations	**563**	-
	249,209	96,088
Less current portion	**34,096**	21,549
	215,113	74,539

The non-interest-bearing note payable is due November 1, 2027, in the amount of $933,000. The note's carrying value of $162,000 is determined using a discount rate of 9.75%. If the non-interest-bearing note payable were discounted at interest rates in effect at December 31, 2008, the fair value of the note would be $277,000 (2007 –$233,000).

The carrying values of the other notes payable have been calculated using a weighted average rate of interest of 5.14% and may be supported by promissory notes. The notes are due at various times from 2009 to 2011. The aggregate maturity value of the notes is $56,062,000 (2007 – $43,976,000). As at December 31, 2008, $48,343,000 (2007 – $24,849,000) of the notes' carrying value was payable in US funds (2008 – US$39,690,000; 2007 –US$24,633,000). The carrying value of the other notes payable approximates their fair value based on interest rates in effect at December 31, 2008.

During the year, as provided for in its revolving credit facility agreement, the Company increased the credit facility limit to $300 million from $160 million and extended the maturity date to August 31, 2011. The facility is available for acquisitions, working capital needs, capital expenditures, and general corporate purposes. Depending on the form under which the credit facility is accessed, rates of interest will vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates plus 65, 85, or 125 basis points. As at December 31, 2008, $131,544,000 of the bank loan was payable in US funds (US$108,000,000), and $61,000,000 was payable in Canadian funds. As at December 31, 2007, $49,069,000 of the bank loan was payable in US funds (US$49,500,000), and $3,000,000 was payable in Canadian funds. Loans may be repaid under the credit facility from time to time at the option of the Company.

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

Taking the effect of the interest rate swap into consideration, the average interest rate applicable at December 31, 2008, was 3.36% (2007 – 5.51%). The credit facility contains restrictive covenants (note 15). All the assets of the Company are held as collateral under a general security agreement for the bank loan.

The funds available under the revolving credit facility are reduced by any outstanding letters of credit. At December 31, 2008, the Company had issued and outstanding letters of credit totaling $139,000 (2007 – $141,000) payable in Canadian funds and $2,426,000 (US$1,992,000) (2007 – $1,321,000, US$1,332,000) payable in US funds that expire at various dates before January 2010. These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations. At December 31, 2008, $104,891,000 (2007 –$106,469,000) was available in the revolving credit facility for future activities.

As at December 31, 2008, there were no additional letters of credit outstanding that were assumed from acquisitions (2007 – $475,000, US$479,000). During 2007, the Company entered into a US$4 million surety facility to facilitate, as

part of the normal course of operations, the issuance of bonds for certain types of project work. As at December 31, 2008, $243,000 (US$199,000) (2007 – $50,000, US$50,000) in bonds had been issued under this credit facility.

As at December 31, 2008, the Company's capital lease obligations included capital leases bearing interest at rates ranging from 1.4 to 9.17%. These capital leases expire at various dates before October 2011. The interest incurred on capital lease obligations in 2008 was $27,000.

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

(In thousands of Canadian dollars)	**$**
2009	34,096
2010	14,313
2011	200,638
2012	-
2013	-
Thereafter	162
	249,209

The interest incurred on long-term debt in 2008 was $7,784,000 (2007 – $2,444,000; 2006 – $2,612,000). In 2008, total interest expense, net of interest income, was $7,477,000 (2007 – $1,594,000; 2006 – $1,892,000).

9. Other Liabilities

(In thousands of Canadian dollars)	**2008 $**	2007 $
Provision for self-insured liabilities	**30,265**	17,659
Deferred gain on sale leaseback	**5,314**	5,749
Lease inducement benefits	**22,866**	16,191
Liabilities on lease exit activities	**4,081**	4,112
Liability for uncertain tax positions	**1,725**	1,412
Derivative financial instruments *(note 11)*	**4,218**	-
Other	**3,475**	3,220
	71,944	48,343
Less current portion included in accrued liabilities	**7,647**	5,434
	64,297	42,909

Provision for self-insured liabilities

The Company self-insures a portion of its estimated liabilities that may arise in connection with reported legal claims (note 12). This provision for self-insured liabilities is based on the results of an actuarial review performed in 2008 and 2007, with the current and long-term portion determined based on the actuarial estimate. At December 31, 2008, the long-term portion was $28,577,000 (2007 – $16,225,000).

(In thousands of Canadian dollars)	**2008 $**	2007 $
Provision, beginning of the year	**17,659**	16,041
Current year provision	**12,470**	6,153
Payment for claims settlement	**(3,034)**	(2,822)
Impact of foreign exchange	**3,170**	(1,713)
Provision, end of the year	**30,265**	17,659

The self-insured liability increased during 2008 primarily due to new claims incurred and reported since the end of 2007. The timing of claim settlement payments is dependent upon the resolution of case-specific matters and may extend over several months or years.

Deferred gain on sale leaseback

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

Liabilities on lease exit activities

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

(In thousands of Canadian dollars)	**2008** **$**	2007 $
Liability, beginning of the year	**4,112**	2,833
Current year provision:		
Established for existing operations	**1,488**	989
Resulting from acquisitions	**1,663**	740
Costs paid or otherwise settled	**(2,475)**	(1,522)
Adjustments to purchase price allocation	**(1,181)**	1,193
Impact of foreign exchange	**474**	(121)
Liability, end of the year	**4,081**	4,112

10. Commitments

Commitments for annual basic premises rent under long-term leases and for equipment and vehicle operating leases for the next five years and thereafter are as follows:

(In thousands of Canadian dollars)	$
2009	64,143
2010	55,774
2011	46,215
2012	39,642
2013	31,704
Thereafter	92,151
	329,629

The premises rental expense for the year ended December 31, 2008, was $48,602,000 (2007 – $41,113,000; 2006 –$35,724,000).

11. Derivative Financial Instruments

As at December 31, 2008, the Company had entered into foreign currency forward contract arrangements that provided for the purchase of US$74,000,000 at rates ranging from 1.1932 to 1.2198 per US dollar maturing over the next month. As at December 31, 2007, the Company had entered into foreign currency forward contract arrangements that provided for the purchase of US$34,100,000 at the rate of 0.9804 per US dollar maturing over one month. These derivative financial instruments were entered into to mitigate the risk of foreign currency fluctuations on

net operating assets denominated in US dollars. The fair value of these contracts, estimated using market rates as at December 31, 2008, is an unrealized gain of $1,597,000 (2007 – unrealized gain of $371,000). The unrealized gains or losses relating to these derivative financial instruments were recorded in income as foreign exchange gains or losses and in the balance sheet as other assets or other liabilities.

During the year, the Company entered into a US$100 million interest rate swap agreement maturing on September 3, 2010. This swap agreement has the effect of converting the variable interest rate on US$100 million of the Company's revolving credit facility, based on a LIBOR rate, into a fixed interest rate of 3.43%, plus an applicable basis points spread. The fair value of the interest rate swap, estimated using market rates at December 31, 2008, is an unrealized loss, net of tax, of $2,974,000. The Company has designated the swap as a cash flow hedge against its revolving credit facility; therefore, the unrealized gains or losses relating to this derivative financial instrument are recorded in other comprehensive income and in the balance sheet as other assets or other liabilities. In the event that the hedging relationship is no longer effective or ceases to exist, the gains or losses will be recorded in income. The hedging relationship was effective from the date of entering into the swap to December 31, 2008.

12. Contingencies and Guarantees

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

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

13. 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 2008, 351,400 common shares (2007 – 9,200; 2006 – 51,600) were repurchased for cancellation pursuant to an ongoing normal course issuer bid at a cost of $8,914,000 (2007 – $294,000; 2006 – $1,016,000). Of this amount,

$1,688,000 and $58,000 (2007 – $44,000 and $1,000; 2006 – $243,000 and $6,000) reduced the share capital and contributed surplus accounts, respectively, with $7,168,000 (2007 – $249,000; 2006 – $767,000) being charged to retained earnings.

During 2008, the Company recognized a stock-based compensation expense of $5,118,000 (2007 – $3,452,000; 2006 – $2,224,000) in administrative and marketing expenses. Of the amount expensed, $4,887,000 related to the fair value of options granted (2007 – $1,919,000; 2006 – $1,078,000), $120,000 related to deferred share unit compensation (2007 – $1,416,000; 2006 – $576,000), and $111,000 related to the restricted shares issued on the Keith acquisition (2007 – $117,000; 2006 – $570,000). The fair value of options granted was reflected through contributed surplus; the deferred share unit compensation was reflected through accrued liabilities; and the restricted shares were reflected through deferred stock compensation. Upon the exercise of share options for which a stock-based compensation expense has been recognized, the cash paid together with the related portion of contributed surplus is credited to share capital. Upon the vesting of restricted shares for which a stock-based compensation expense has been recognized, the related portion of contributed surplus is credited to share capital.

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

Share options

Under the Company's share option plan, options to purchase common shares may be granted by the Board of Directors to officers and employees. Options are granted at exercise prices equal to or greater than fair market value at the issue date, generally vest evenly over a three-year period, and have contractual lives that range from 7 to 10 years. The aggregate number of common shares reserved for issuance that may be purchased upon the exercise of options granted pursuant to the plan shall not exceed 4,487,026 common shares. At December 31, 2008, 1,773,066 options were available for issue.

The Company has granted share options to officers and employees to purchase 2,061,828 shares at prices between $7.25 and $30.61 per share. These options expire on dates between October 9, 2009, and August 18, 2015.

	2008		**2007**		2006	
	Shares #	**Weighted Average Exercise Price $**	Shares #	Weighted Average Exercise Price $	Shares #	Weighted Average Exercise Price $
Share options, beginning of the year	**1,751,022**	**18.32**	1,702,784	11.92	1,876,528	6.94
Granted	**480,000**	**29.40**	467,500	30.61	471,000	20.40
Exercised	**(97,860)**	**12.25**	(386,598)	4.97	(607,080)	3.07
Forfeited	**(58,502)**	**24.86**	(31,664)	18.69	(35,664)	12.59
Cancelled	**(12,832)**	**22.87**	(1,000)	20.42	(2,000)	10.50
Share options, end of the year	**2,061,828**	**20.97**	1,751,022	18.32	1,702,784	11.92

The options held by officers and employees at December 31, 2008, were as follows:

Options Outstanding				Options Exercisable		
Range of Exercise Prices $	Outstanding #	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price $	Shares Exercisable #	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price $
7.25 – 9.42	**244,000**	**1.13**	**7.98**	**244,000**	**1.13**	**7.98**
10.50–13.55	**525,994**	**2.91**	**11.70**	**525,994**	**2.91**	**11.70**
20.37–20.42	**374,334**	**4.65**	**20.39**	**246,321**	**4.65**	**20.39**
29.40–30.61	**917,500**	**6.15**	**29.98**	**146,659**	**5.63**	**30.61**
7.25–30.61	**2,061,828**	**4.46**	**20.97**	**1,162,974**	**3.25**	**15.14**

The fair value of options granted subsequent to January 1, 2002, is determined at the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected share price volatility.

The estimated fair value of options granted at the share market price on the grant date was determined using the weighted average assumptions indicated below.

	2008	2007	2006
Risk-free interest rate (%)	**3.09**	4.31	4.05
Expected hold period to exercise (years)	**5.5**	5.5	6.0
Volatility in the price of the Company's shares (%)	**29.6**	27.5	29.4
Weighted average fair value per option ($)	**9.82**	10.65	7.59

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

A summary of the status of the Company's non-vested options as of December 31, 2008, and of changes in the year are as follows:

	Number of Shares Subject to Option #	**Weighted Average Grant Date Fair Value $**
Non-vested, beginning of the year	**819,826**	**8.98**
Granted	**480,000**	**9.82**
Vested	**(342,470)**	**8.09**
Forfeited	**(58,502)**	**8.91**
Non-vested share options, end of the year	**898,854**	**9.77**

As of December 31, 2008, 898,854 options remained unvested, and a total unrecognized compensation cost of $4,514,000 related to the Company's share option plans. This cost is expected to be recognized over a weighted average period of 2.02 years.

For all outstanding options at December 31, 2008, the aggregate intrinsic value was $18.9 million. For fully vested share options and share options outstanding at December 31, 2008, that are expected to vest in the future, the aggregate intrinsic value was $18.7 million. For options exercisable at December 31, 2008, the intrinsic value at December 31, 2008, was $17.5 million. The total intrinsic value of options exercised during the years ended December 31, 2008, 2007, and 2006, was $1.9 million, $8.2 million, and $9.8 million, respectively.

Deferred share units

Under the Company's deferred share unit plan, outside directors of the Company may receive deferred share units equal to one common share. These units are paid out to the directors upon their death or retirement in the form of cash and are valued at the market price of the Company's common shares on the last trading day of the month of death or retirement. Deferred share units cannot be paid in the form of Company shares. In 2008, $464,000 deferred share units were paid (2007 – $450,000; 2006 – $159,000). These units are recorded at fair value based on the current market price of the Company's common shares. As at December 31, 2008, 60,800 units were outstanding (2007 – 56,000; 2006 – 48,000).

Restricted shares

In 2005, the former shareholders of Keith received restricted shares in connection with its acquisition. These restricted shares vested over a period ending April 1, 2008. Upon the vesting of the restricted shares, common shares were issued. As at December 31, 2008, no restricted shares were outstanding (2007 – 5,792; 2006 – 55,666).

14. Financial Instruments

The Company classifies its financial instruments as follows:

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

Fair Value

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

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, derivative financial instruments, investments held for self-insured liabilities, and accounts receivable.

The Company limits its exposure to credit risk by placing its cash and cash equivalents in and entering into derivative agreements with high-quality credit institutions. Investments held for self-insured liabilities include bonds and equities. The risk associated with bonds and equities is mitigated by the overall quality and mix of the Company's investment portfolio. The Company does not invest in any asset-backed commercial paper (ABCP) and, therefore, does not consider itself to be exposed to current uncertainties in the ABCP marketplace.

The Company maintains an allowance for estimated credit losses on accounts receivable. The estimate is based on the best assessment of the collectibility of the related receivable balance based, in part, on the age of the outstanding accounts receivable and on the Company's historical collection and loss experience.

The Company mitigates the risk associated with accounts receivable by providing services to diverse clients in various industries and sectors of the economy. It does not concentrate its credit risk in any particular client, industry, economic, or geographic sector. In addition, management reviews accounts receivable past due on an ongoing basis with the objective of identifying matters that could potentially delay the collection of funds at an early stage. The Company monitors accounts receivable to an internal target of days of revenue in accounts receivable (a non-GAAP measure). At December 31, 2008, there were 64 days of revenue in accounts receivable (2007 – 72 days). The maximum amount of credit risk exposure is limited to the carrying amount of the balances in the financial statements.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company’s liquidity needs can be met through a variety of sources, including cash generated from operations, long- and short-term borrowings from the $300 million credit facility, and the issuance of common shares. The Company believes that internally generated cash flows, supplemented by borrowings and additional equity issues, if necessary, will be sufficient to cover its normal operating and capital expenditures as well as currently anticipated acquisition activity in 2009. Liquidity risk is managed according to the Company’s internal guideline of maintaining a debt to equity ratio of less than 0.5 to 1.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market rates of interest. The Company is subject to interest rate cash flow risk to the extent that its credit facilities are based on floating rates of interest. In addition, the Company is subject to interest rate pricing risk to the extent that its investments held for self-insured liabilities contain fixed-rate government and corporate bonds. The Company minimizes its exposure to floating rates of interest, when appropriate, by entering into interest rate swap agreements (note 11).

If the interest rate on the Company's loan balance at December 31, 2008, had been 0.5% higher, with all other variables held constant, net income would have decreased by $247,000 in the year. If the interest rate had been 0.5% lower, there would have been an equal and opposite impact on net income. This analysis excludes US$100 million of the revolving credit facility due to the interest rate swap agreement entered into during the year.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange gains or losses in the Company's net income arise on the translation of foreign-denominated assets and liabilities (such as accounts receivable, accounts payable and accrued liabilities, and long-term debt) held in the Company's Canadian operations and non-US-based foreign subsidiaries. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching US- dollar liabilities and, when appropriate, by entering into forward contracts to buy or sell US dollars in exchange for Canadian dollars (note 11).

Foreign exchange fluctuations may also arise on the translation of the Company's US-based subsidiaries and are recorded as currency translation adjustments in other comprehensive income. The Company does not hedge for this foreign exchange risk.

15. Capital Management

The Company's objective when managing capital is to provide sufficient capacity to cover normal operating and capital expenditures as well as acquisition growth while maintaining an adequate return for shareholders. The Company defines its capital as the aggregate of long-term debt (including the current portion) and shareholders' equity.

The Company manages its capital structure 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 equity ratio below 0.5 to 1
- Return on equity (ROE) at or above 14%

These objectives are established on an annual basis and are monitored on a quarterly basis. The targets for 2008 remained unchanged from 2007.

Net debt to equity ratio, a non-GAAP measure, is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash and cash held in escrow, divided by (2) shareholders' equity. The Company's net debt to equity ratio was 0.26 to 1 at December 31, 2008 (December 31, 2007 – 0.19 to 1). Going forward, there may be occasions when the Company exceeds its target by completing acquisitions that increase its debt level above the target for a period of time.

ROE, a non-GAAP measure, is calculated as net income for the last four quarters, divided by average shareholders' equity over each of these quarters. The Company's ROE was 6.1% for the year ended December 31, 2008, (December 31, 2007 – 16.4%). The Company's ROE was below target because of the goodwill and intangible assets impairment charge recorded in the third quarter of 2008.

The Company is subject to restrictive covenants related to its $300 million revolving credit facility that are measured on a quarterly basis. These covenants include, but are not limited to, debt to earnings ratio and earnings to debt service ratio. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of the debt obligation. The Company was in compliance with all the covenants under this agreement as at and throughout the year ended December 31, 2008.

16. Accumulated Other Comprehensive Income (Loss)

(In thousands of Canadian dollars)	Cumulative Translation Adjustments $	Unrealized Losses on Cash Flow Hedge $	Unrealized Gains (Losses) on Financial Assets $	Realized Gains on Financial Assets Transferred to Net Income $	Total $
Balance, December 31, 2005	(25,575)	-	-	-	(25,575)
Current period activity	731	-	-	-	731
Balance, December 31, 2006	(24,844)	-	-	-	(24,844)
Change in accounting policy	-	-	481	-	481
Balance, January 1, 2007, as adjusted	(24,844)	-	481	-	(24,363)
Current period activity	(45,669)	-	1,280	(249)	(44,638)
Income tax effect	-	-	(31)	4	(27)
Balance, December 31, 2007	(70,513)	-	1,730	(245)	(69,028)
Current period activity	**76,923**	**(4,218)**	**(3,706)**	**(152)**	**68,847**
Income tax effect	-	**1,244**	**65**	**3**	**1,312**
Balance, December 31, 2008	**6,410**	**(2,974)**	**(1,911)**	**(394)**	**1,131**

Effective January 1, 2007, the Company adopted the CICA Handbook Section 3855, “Financial Instruments—Recognition and Measurement”; Section 1530, “Comprehensive Income”; and Section 3251, “Equity.” By adopting these standards, the Company recorded investments held for self-insured liabilities at fair value on January 1, 2007. In accordance with transitional provisions, other assets increased by approximately $493,000, opening accumulated other comprehensive income increased by approximately $481,000 (after-tax), and future income tax liabilities increased by $12,000.

The foreign currency cumulative translation adjustments represent the unrealized gain or loss on the Company's net investment in self-sustaining US-based operations. The change in the cumulative translation adjustments during the year relates to the fluctuation in the value of the Canadian dollar relative to the US dollar. Balance sheet accounts denominated in US dollars have been translated to Canadian dollars at the rate of 1.2180 (December 31, 2007 –0.9913; 2006 – 1.1654).

The unrealized gains (losses) on financial assets represent the change in fair value on investments held for self-insured liabilities (note 6).

The unrealized gains (losses) on cash flow hedge represent the unrealized gain or loss on the Company's interest rate swap agreement (note 11). The minimum length of time over which the Company is hedging its exposure to the variability in future cash flows from the interest on its revolving credit facility is 20 months.

17. 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:

	2008	2007	2006
	%	%	%
Income tax expense at statutory Canadian rates	**31.2**	33.6	34.1
Increase (decrease) resulting from:			
Impairment of goodwill	**24.8**	-	-
Income from associated companies	**-**	(0.1)	(0.1)
Rate differential on foreign income	**(0.1)**	(0.9)	1.1
Non-deductible expenses:			
Meals and entertainment	**1.1**	0.9	0.9
Stock-based compensation	**1.0**	0.1	0.3
Non-taxable foreign income net of non-creditable withholding taxes	**(2.9)**	(3.2)	(2.9)
Other	**(0.1)**	(0.3)	(0.7)
	55.0	30.1	32.7

Since the Company operates in several tax jurisdictions, its income is subject to various rates of taxation. The details of income before income taxes are as follows:

	2008	2007	2006
(In thousands of Canadian dollars)	**$**	$	$
Domestic	**128,225**	101,433	79,109
Foreign	**(63,726)**	(2,319)	10,315
Total income before income taxes	**64,499**	99,114	89,424

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

		2008	2007	2006
(In thousands of Canadian dollars)		**$**	$	$
Current:	Domestic	**41,329**	34,179	25,766
	Foreign	**(116)**	815	5,718
Total current expense		**41,213**	34,994	31,484
Future:	Domestic	**(133)**	(1,598)	725
	Foreign	**(5,598)**	(3,561)	(2,967)
Total future recovery		**(5,731)**	(5,159)	(2,242)
Total:	Domestic	**41,196**	32,581	26,491
	Foreign	**(5,714)**	(2,746)	2,751
Total income tax expense		**35,482**	29,835	29,242

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

(In thousands of Canadian dollars)	**2008** **$**	2007 $
Future income tax assets		
Differences in timing of deductibility of expenses	**23,120**	18,101
Loss carryforwards	**8,328**	4,171
Share issue and other financing costs	**133**	220
Tax cost of property and equipment in excess of carrying value	**2,114**	451
Deferred gain on sale of building	**1,124**	1,224
Other	**1,232**	1,215
	36,051	25,382
Less current portion	**15,265**	13,308
	20,786	12,074

(In thousands of Canadian dollars)	**2008** **$**	2007 $
Future income tax liabilities		
Cash to accrual adjustments on acquisitions of US subsidiaries	**5,025**	4,285
Differences in timing of taxability of revenues	**7,492**	6,804
Carrying value of property and equipment in excess of tax cost	**6,283**	5,760
Carrying value of intangible assets in excess of tax cost	**20,743**	14,607
Other	**869**	1,012
	40,412	32,468
Less current portion	**13,920**	11,750
	26,492	20,718

At December 31, 2008, loss carryforwards of approximately $1,714,000 are available to reduce the taxable income of certain Canadian subsidiaries. These losses expire as set out below:

(In thousands of Canadian dollars)	$
pre 2016	370
2026	1,106
2027	238
	1,714

In addition, the Company has federal loss carryforwards of approximately $20,930,000 (US$17,255,000) that are available to reduce the taxable income of certain US subsidiaries and that expire at varying times over the next 20 years.

The potential income tax benefits that will result from the application of Canadian and US tax losses have been recognized in these consolidated financial statements.

18. Earnings Per Share

The number of basic and diluted common shares outstanding, as calculated on a weighted average basis, is as follows:

	2008	2007	2006
	#	#	#
Basic shares outstanding	**45,584,612**	45,577,261	45,068,266
Share options (dilutive effect of 1,621,828 options; 2007 – 1,751,022; 2006 – 1,702,784)	**472,107**	630,280	648,430
Restricted shares (dilutive effect of nil restricted shares; 2007 – 5,792; 2006 – 55,666)	**562**	19,156	74,813
Diluted shares outstanding	**46,057,281**	46,226,697	45,791,509

At December 31, 2008, 440,000 options were antidilutive and therefore were not considered in computing diluted earnings per share.

19. Cash Flows From Operating Activities

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

(In thousands of Canadian dollars)	**2008** $	2007 $	2006 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year	**29,017**	69,279	60,182
Add (deduct) items not affecting cash:			
Depreciation of property and equipment	**25,405**	19,038	15,604
Amortization of intangible assets	**10,679**	3,702	6,132
Impairment of goodwill and intangible assets	**58,369**	-	-
Future income tax	**(5,731)**	(5,159)	(2,242)
Gain on dispositions of investments and property and equipment	**(520)**	(1,085)	(1,238)
Stock-based compensation expense	**5,118**	3,452	2,224
Provision for self-insured liability	**12,470**	6,153	6,329
Other non-cash items	**(3,445)**	(2,135)	(994)
Share of income from equity investments	**(160)**	(292)	(285)
Dividends from equity investments	**150**	450	450
	131,352	93,403	86,162
Change in non-cash working capital accounts:			
Accounts receivable	**23,987**	20,848	(14,117)
Costs and estimated earnings in excess of billings	**21,305**	(25,067)	23,029
Prepaid expenses	**2,499**	1,715	(269)
Accounts payable and accrued liabilities	**(20,088)**	(11,106)	(3,958)
Billings in excess of costs and estimated earnings	**2,728**	3,485	4,590
Income taxes payable/recoverable	**(1,753)**	4,221	(2,048)
	28,678	(5,904)	7,227
Cash flows from operating activities	**160,030**	87,499	93,389

20. Joint Ventures

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

	Percentage Owned		
	2008	2007	2006
	%	%	%
yyC.T. Joint Venture	**17**	17	17
Stantec – S&L Partnership	**50**	50	50
Edmonton International Airports Joint Venture	**33**	33	33
Pine Creek Consultants Joint Venture	**n/a**	n/a	33
Dunlop Joint Ventures	**33–68**	33 –68	33–80
Stantec Architecture Ltd./J.L. Richards & Associates Joint Venture	**50**	50	50
Stantec/Parkin Joint Venture	**67**	67	-
Smith/Chong Joint Venture	**50**	50	-
Coleson Power Joint Venture	**50**	50	-
Accent Engineering Consultants, Inc. Joint Venture	**40**	40	-
FFEB Joint Venture	**30**	30	-
Hatch McIntosh Alliance Joint Venture	**50**	-	-
Kuwabara Payne McKenna Blumberg (KPMB)	**45**	-	-

In 2004, as part of the acquisition of Dunlop Architects Inc. (Dunlop), the Company acquired the interest of 13 joint ventures entered into by Dunlop, with 11 remaining active at December 31, 2006. In 2007, with the acquisition of Murphy Hilgers Architects Inc., four of the 11 joint ventures became 100% owned by the Company, leaving five of the joint ventures originally entered into by Dunlop active as at December 31, 2008.

A summary of the assets, liabilities, revenues, expenses, and cash flows included in the consolidated financial statements related to joint ventures (before intercompany eliminations) is as follows:

	2008	2007	2006
(In thousands of Canadian dollars)	$	$	$
Statement of income			
Gross revenue	**25,827**	4,464	4,451
Subconsultant and other direct expenses	**24,524**	3,912	4,612
Administrative and marketing expenses	**911**	129	75
Net income (loss) for the year	**392**	423	(236)
Balance sheets			
Current assets	**12,649**	5,536	2,086
Current liabilities	**12,120**	4,867	1,800
Statement of cash flows			
Cash flows from (used in) operating activities	**(547)**	(493)	173

21. Segmented Information

The Company provides comprehensive professional services in the area of infrastructure and facilities throughout North America and internationally. It considers the basis on which it is organized, including geographic areas and service offerings, in identifying its reportable segments. Operating segments of the Company are defined as components of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker is the chief executive officer of the Company, and the Company's operating segments are based on its regional geographic areas.

The Company has three operating segments, which are aggregated into the Consulting Services reportable segment.

Geographic information	**Property and Equipment, Goodwill, Intangible Assets**	
	2008	2007
(In thousands of Canadian dollars)	$	$
Canada	**183,828**	154,404
United States	**422,881**	298,470
International	**508**	492
	607,217	453,366

Geographic information	**Gross Revenue**		
	2008	2007	2006
(In thousands of Canadian dollars)	**$**	$	$
Canada	**649,465**	539,349	461,281
United States	**677,545**	405,195	348,055
International	**24,941**	10,075	6,797
	1,351,951	954,619	816,133

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

Practice area information	**Gross Revenue**		
	2008	2007	2006
(In thousands of Canadian dollars)	**$**	$	$
Consulting Services			
Buildings	**282,516**	211,801	184,254
Environment	**390,016**	175,936	149,376
Industrial	**241,142**	138,977	94,806
Transportation	**172,313**	143,140	106,026
Urban Land	**265,964**	284,765	281,671
	1,351,951	954,619	816,133

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.

22. Employee Future Benefits

In 2008, the Company recorded an expense of $19,034,000 (2007 – $13,863,000; 2006 – $11,567,000) for contributions made to defined contribution plans in the year.

23. 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 2008, investment tax credits of $1,260,000 (2007 – $1,662,000; 2006 – $500,000) were recorded and reduced administrative and marketing expenses.

24. US GAAP

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with accounting principles generally accepted in Canada that, in most respects, conform to accounting principles generally accepted in the United States. The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with US GAAP. Investments in joint ventures are accounted for using the equity method under US GAAP, whereas Canadian GAAP requires the proportionate consolidation method. As permitted by the SEC, disclosure of the effect of this difference is not required.

a) Other disclosure requirements

i) Net income and comprehensive income

There are no identifiable material items that would result in a change in net income presented under Canadian GAAP and US GAAP.

Comprehensive income is measured in accordance with Statement of Financial Accounting Standards No. 130, “Reporting Comprehensive Income” (SFAS 130). This standard defines comprehensive income as all changes in equity other than those resulting from investments by owners and distributions to owners and includes adjustments arising on the translation of self-sustaining foreign operations. As well, under US GAAP, comprehensive income includes the difference between the recorded and fair value of the Company’s investments held for self-insured liabilities since these investments are classified as available for sale (note 6). Effective January 1, 2007, the Company is required to provide similar disclosure under Canadian GAAP, on a prospective basis, in the consolidated statements of shareholders' equity and comprehensive income.

Statement of Comprehensive Income

(In thousands of Canadian dollars)	**2006** $
Net income under Canadian and US GAAP	**60,182**
Other comprehensive income, net of tax:	
Unrealized foreign exchange gains on translation of self-sustaining foreign operations	**731**
Unrealized gains on financial assets	**217**
Comprehensive Income	**61,130**
Accumulated other comprehensive loss, beginning of the year	**(25,311)**
Unrealized foreign exchange gains on translation of self-sustaining foreign operations	**731**
Unrealized gains on financial assets	**217**
Accumulated other comprehensive loss, end of the year	**(24,363)**

ii) Allowance for doubtful accounts

(In thousands of Canadian dollars)	**2008** **$**	2007 $	2006 $
Balance, beginning of the year	**10,508**	6,303	10,423
Provision for doubtful accounts	**22,508**	17,221	6,681
Deductions	**(23,702)**	(11,275)	(11,061)
Impact of foreign exchange	**2,283**	(1,741)	260
Balance, end of the year	**11,597**	10,508	6,303

Comparative figures have been restated to eliminate allowances from accounts receivable assumed from acquired companies. Accounts receivable assumed from acquired companies are recognized at their fair value at the time of acquisition.

iii) Liabilities for uncertain tax positions

On January 1, 2007, the Company implemented Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertain Income Taxes." The Company files income tax returns in the Canadian federal jurisdiction, US federal jurisdiction, and various provinces, states, and foreign jurisdictions. With few exceptions, the Company is no longer subject to Canadian and US corporate income taxes or income tax examinations by the tax authorities of other foreign jurisdictions for years before 2003.

(In thousands of Canadian dollars)	**2008** **$**	2007 $
Balance, beginning of the year	**1,412**	1,243
Additions based on tax positions related to the current year	**321**	96
Additions based on tax positions related to the prior year	**-**	218
Reductions for tax position of prior year	**(218)**	-
Impact of foreign exchange	**209**	(145)
Balance, end of year	**1,724**	1,412

The Company's policy is to recognize interest and penalties relating to liabilities effective January 1, 2007, for unrecognized tax benefits in interest expense. The liability for interest and penalties relating to unrecognized tax benefits is recorded in accrued liabilities. During the year ended December 31, 2008, the Company recognized approximately $111,000 (2007 – $942,000) [$87,000 (2007 – $585,000) net of tax] in interest and penalties. A significant portion of the interest and penalties recognized in 2007 related to a preacquisition Internal Revenue Service audit. The Company had approximately $446,000 (2007 – $1,362,000) [$348,000 (2007 – $882,000) net of tax] for the payment of interest and penalties accrued at December 31, 2008.

Approximately $1,543,000 (2007 – $1,194,000) of unrecognized tax benefits, if recognized, would impact the Company's effective tax rate.

During the next 12 months, it is reasonably possible that the Company's unrecognized tax benefits may change since it expects to receive Notices of Assessment from the Canada Revenue Agency with respect to its claim for scientific research and experimental development efforts.

b) Recent accounting pronouncements

Fair value measurements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (SFAS 157), effective for fiscal years beginning after November 15, 2007. SFAS 157 establishes a framework for measuring fair value under US GAAP and requires additional disclosure. The statement defines a fair

value hierarchy, with the highest priority being quoted prices in active markets. Under this statement, fair value measurements are disclosed by level within the hierarchy. This standard does not require any new fair value measurements. The adoption of this standard for financial assets and liabilities had no material effect on the Company's financial position or results of operations. The Company's adoption of SFAS 157 for non-financial assets and liabilities is deferred to fiscal 2009 as allowed by FASB Staff Position (FSP) FAS 157-2, "Effective Date of FASB Statement No. 157."

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

Business combinations

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

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, “Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51” (SFAS 160), effective for fiscal years beginning after December 15, 2008. SFAS 160 changed the accounting and reporting for ownership interests in subsidiaries held by parties other than the parent. These non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent’s equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, SFAS 160 establishes standards for a change in a parent’s ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. It also establishes reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Company is currently considering the impact of adopting SFAS 160 on its consolidated financial statements and cannot reasonably estimate its effect at this time.

Other

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, “Disclosures about Derivative Instruments and Hedging Activities—An Amendment of FASB Statement No. 133” (SFAS 161). This standard applies to all derivative instruments and related hedged items accounted for under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” (SFAS 133). SFAS 161 requires entities to provide greater transparency about how and why they use derivative instruments, how they account for derivative instruments and related hedged items under SFAS 133, and how derivative instruments and related hedged items affect their financial position, results of operations, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, and will be adopted by the Company in fiscal 2009. The Company does not expect the adoption of this standard to have a material effect on its consolidated financial statements.

In November 2008, the FASB issued FSP Emerging Issues Task Force (EITF) 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.” FSP EITF 03-6-1 clarifies that share-based payment awards that entitle their holders to receive non-forfeitable dividends or dividend equivalents before vesting should be considered participating securities. This interpretation is effective for financial statements issued for fiscal years beginning after December 15, 2008, and will be adopted by the Company in fiscal 2009. The Company is currently considering the impact of adopting FSP EITF 03-6-1 on its consolidated financial statements and cannot reasonably estimate its effect at this time.

In November 2008, the FASB ratified EITF Issue No. 08-7, “Accounting for Defensive Intangible Assets” (EITF 08-7). EITF 08-7 applies to defensive intangible assets, which are acquired intangible assets that the acquirer does not intend to actively use but to hold to prevent its competitors from obtaining access to them. Because these assets are identifiable separately, EITF 08-7 requires an acquiring entity to account for them as separate units of accounting. Defensive intangible assets must be recognized at fair value. EITF 08-7 is effective for defensive intangible assets acquired in fiscal years beginning on or after December 15, 2008, and will be adopted by the Company in fiscal 2009. The Company is currently considering the impact of adopting EITF 08-7 on its consolidated financial statements and cannot reasonably estimate its effect at this time.

In November 2008, the EITF issued EITF Issue No. 08-6, “Equity Method Investment Considerations” (EITF 08-6), which clarifies the accounting for certain transactions and impairment considerations involving equity method investments. This interpretation is effective for financial statements issued for fiscal years beginning on or after December 15, 2008. The Company will adopt this standard in fiscal 2009. The Company is currently considering the impact of adopting EITF 08-6 on its consolidated financial statements and cannot reasonably estimate its effect at this time.

25. Subsequent Event

On January 2, 2009, the Company acquired the shares and business of Jacques Whitford Group Ltd. and Jacques Whitford Global Group Limited for cash consideration of $64,000,000 and notes payable of $79,000,000. These firms are leading providers of environmental management and remediation and geotechnical engineering services. Their addition will significantly strengthen the service offerings in the Company's Environment practice. This acquisition also increases the Company’s presence in Atlantic Canada; expands and enhances its geotechnical engineering capabilities; increases its ability to provide environmental and geoscientific assessments in Canada's Arctic and Alberta for resource development; expands its ability to support the mining sector; and expands its air quality services.

26. Comparative Figures

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

Board of Directors

Aram H. Keith
Irvine, California
Vice Chairman of the Board,
Stantec Inc.

Robert J. Bradshaw [2]
Toronto, Ontario
Corporate Director

Robert R. Mesel [1]
Kiawah Island, South Carolina
Corporate Director

Anthony P. Franceschini
Edmonton, Alberta
President & CEO,
Stantec Inc.

Susan E. Hartman [1, 2]
Rochester, New York
President and Owner,
The Hartman Group

Ivor M. Ruste [1]
Calgary, Alberta
Executive Vice President and
Chief Risk Officer,
EnCana Corporation

Ronald Triffo [2]
Edmonton, Alberta
Chairman of the Board,
Stantec Inc.

[1] Audit Committee
[2] Corporate Governance and Compensation Committee

Officers

Ronald Triffo
Chairman

Anthony P. Franceschini
President & CEO

Mark E. Jackson
Senior Vice President & COO

Daniel J. Lefaivre
Senior Vice President & CFO

Jeffrey S. Lloyd
Vice President & Secretary

Shareholder Information

Transfer Agent
Computershare Trust
Company of Canada
Calgary, Alberta

Auditors
Ernst & Young LLP
Chartered Accountants
Edmonton, Alberta

Principal Bank
Canadian Imperial Bank
of Commerce

Securities Exchange Listing
Stantec shares are traded on the TSX and NYSE under the symbol STN.

Investor Relations

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Annual Meeting
14-May-09
11:00 AM MDT
Royal Alberta Museum
12845 – 102 Avenue
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Canada



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Exhibit 99.4

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Annual Report [Form 40-F] of Stantec Inc. ["the Company"] of our audit reports dated February 25, 2009, with respect to consolidated financial statements of the Company and the effectiveness of internal control over financial reporting of the Company, included in the 2008 Financial Review to Shareholders of the Company.

Ernst & Young LLP

Edmonton, Canada,
February 25, 2009

Chartered Accountants

Exhibit 99.5

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

I, **DANIEL J. LEFAIVRE**, certify that:

1. I have reviewed this annual report on Form 40-F of Stantec Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

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

Date: February 26, 2009

/s/ Daniel J. Lefaivre

DANIEL J. LEFAIVRE, CMA
Senior Vice President & Chief Financial Officer

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

Stantec Inc. (the "Company") is filing its annual report on Form 40-F for the fiscal year ended December 31, 2008 (the “Report”) with the United States Securities and Exchange Commission.

I, Daniel J. Lefaivre, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of theSecurities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, thefinancial condition and results of operations of the Company.

Date: February 26, 2009

/s/ Daniel J. Lefaivre

DANIEL J. LEFAIVRE, CMA
Senior Vice President & Chief Financial Officer

Exhibit 99.6

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

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

1. I have reviewed this annual report on Form 40-F of Stantec Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

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

Date: February 26, 2009

/s/ Anthony P. Franceschini

ANTHONY P. FRANCESCHINI, P. ENG
President & Chief Executive Officer

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

Stantec Inc. (the "Company") is filing its annual report on Form 40-F for the fiscal year ended December 31, 2008 (the “Report”) with the United States Securities and Exchange Commission.

I, Anthony P. Franceschini, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects,the financial condition and results of operations of the Company.

Date: February 26, 2009

/s/ Anthony P. Franceschini

ANTHONY P. FRANCESCHINI, P. ENG
President & Chief Executive Officer