

International Financial Reporting Standards



Adopting a new standard

Starting in the first quarter of 2011, all publicly accountable organizations in Canada are required to begin publishing their financial statements using international financial reporting standards (IFRS) rather than Canadian generally accepted accounting principles (GAAP), with comparative figures for 2010.

What is IFRS?

IFRS is a single suite of global accounting standards set by the International Accounting Standards Board (IASB). Regulatory bodies in the United States have been working with IASB to converge certain US GAAP standards and IFRS.

How does IFRS impact Stantec?

For us, converting to IFRS resulted in making several changes to the format of our statements and including more or longer explanatory notes. We made the most changes in our accounting for business combinations, testing for asset impairment, and recognition of revenue from subleases. IFRS required minimal changes to our internal controls over financial reporting, disclosure controls and procedures, information technology systems, debt covenants, budgeting process, and business activities and strategies.

What effect did IFRS conversion have on our financial results?

To find detailed information regarding the impact of the IFRS transition, please refer to note 37 of our Q1 11 Unaudited Consolidated Financial Statements, and to our Q1 11 Management Discussion and Analysis on pages M-26 through M-31.

Key items impacting our financial results

The most significant adjustments and differences between Canadian GAAP and IFRS that impacted our opening shareholders' equity, our Q1 10 net income and our fiscal year 2010 net income are illustrated in the charts below.

Opening Statement of Financial Position

On transition to IFRS, our opening shareholders' equity at January 1, 2010, decreased by \$9.3 million.

Summary of Changes in Equity as at January 1, 2010

(In thousands of Canadian dollars. All amounts are net of deferred tax impact)

| EQUITY | Mandatory Changes | Elective changes | Reclassifications | EQUITY |
|------------------------|---|--|--|-------------------|
| Cdn. GAAP \$547,394 | (\$9,887) | \$371 | \$186 | IFRS \$538,064 |
| | Sublease revenue of \$1,725 that was not virtually certain was derecognized. | Elected to measure buildings at fair value which increased buildings and retained earnings by \$371. | Reclassified \$186 of non-controlling interest to shareholders equity. | |
| | Recorded a financial liability of \$5,969 for the fair value of contingent consideration outstanding from past acquisitions at January 1, 2010. | | | |
| | Decreased intangible assets by \$2,370 as a result of an impairment test on the date of transition to IFRS. | | | |
| | Other: \$177 | | | |

Legend:

| |
|---|
| Adjustment resulted in an increase to equity |
| Adjustment resulted in a decrease to equity |
| Reclassification adjustment resulted in an increase to equity |



Q1 2010 financial results

Our net income for the quarter ended March 31, 2010, increased by \$2.6 million from \$13.7 million under Canadian GAAP to \$16.3 million under IFRS. Our diluted earnings per share increased by \$0.05 from \$0.30 to \$0.35 under IFRS.

Summary of Changes in Q1 2010 Net Income

(In thousands of Canadian dollars. All amounts are after tax impact)

| | Provisions | Impairment | Financial Instruments | Other | |
|---------------------------|---|--|--|----------------------------------|--------------------------|
| | \$1,312 | \$613 | \$561 | \$145 | IFRS Net Income \$16,332 |
| CGAAP Net Income \$13,701 | \$1,312 of sublease revenue was recognized because it became virtually certain. | Intangible asset amortization and impairment charge decreased by \$613 due to the intangible asset impairment recorded on January 1, 2010. | \$561 of unrealized gain on the interest rate swap was reclassified from other comprehensive income to income. | Other miscellaneous adjustments. | |
| CGAAP | | | | | IFRS |
| Diluted EPS 0.30 | | | | | Diluted EPS 0.35 |

Legend:

Adjustment resulted in net income increase

Fiscal 2010 financial results

Our net income for the year ended December 31, 2010, increased by \$1.1 million from \$93.6 million under Canadian GAAP to \$94.7 million under IFRS. Our diluted earnings per share increased by \$0.02 from \$2.04 to \$2.06 under IFRS.

Summary of Changes in Fiscal 2010 Net Income

(In thousands of Canadian dollars. All amounts are after tax impact)

| | Provisions | Impairment | Financial Instruments | Business Combination | Other | |
|---------------------------|---|--|--|--|---|--------------------------|
| | \$1,370 | \$1,337 | \$1,531 | | | IFRS Net Income \$94,741 |
| CGAAP Net Income \$93,595 | \$1,370 of sublease revenue was recognized because it became virtually certain. | Intangible asset amortization and impairment charge decreased by \$1,337 due to the intangible asset impairment recorded on January 1, 2010. | \$1,531 of unrealized gain on the interest rate swap was reclassified from other comprehensive income to income. | (\$2,398) \$1,914 of postacquisition exit/restructuring and acquisition-related costs were recognized because they qualified for recognition in 2010. FV of contingent consideration increased by \$484. Also, contingent consideration was recorded at a discounted amount due to its long-term nature. | (\$694) Other miscellaneous adjustments. | |
| CGAAP | | | | | | IFRS |
| Diluted EPS 2.04 | | | | | | Diluted EPS 2.06 |

Legend:

Adjustment resulted in net income increase

Adjustment resulted in net income decrease