

# International Financial Reporting Standards



## Adopting a new standard

Starting in the first quarter of 2011, all publicly accountable organizations in Canada were 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 the IASB to converge certain US GAAP standards and IFRS.

### How did the IFRS conversion effect Stantec?

Converting to IFRS required us to make several changes to the format of our statements and to 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. The conversion 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.

For detailed information regarding the impact of the IFRS transition, 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	<b>(\$9,887)</b>	<b>\$371</b>	<b>\$186</b>	IFRS \$538,064
	Derecognized sublease revenue of \$1,725 that was not virtually certain	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 10 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 10 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
Cdn. GAAP 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	
<b>Cdn. GAAP</b>					<b>IFRS</b>
<b>Diluted EPS 0.30</b>					<b>Diluted EPS 0.35</b>

#### 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
Cdn. GAAP 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.  The fair value 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.	
<b>Cdn. GAAP</b>						<b>IFRS</b>
<b>Diluted EPS 2.04</b>						<b>Diluted EPS 2.06</b>

#### Legend:

Adjustment resulted in net income increase

Adjustment resulted in net income decrease