

# Consolidated Financial Statements

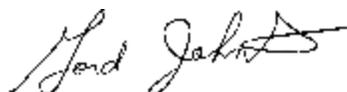
**For the Years Ended December 31, 2018, and 2017**

## Management Report

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

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

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



Gord Johnston  
President & CEO  
February 28, 2019



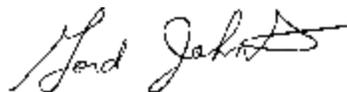
Theresa Jang  
Executive Vice President & CFO  
February 28, 2019

## Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS). 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 (2013 framework).

Management has assessed the effectiveness of the Company's internal control over financial reporting, as at December 31, 2018, and has concluded that such internal control over financial reporting is effective. Ernst & Young LLP, which has audited the consolidated financial statements of the Company for the year ended December 31, 2018, has also issued a report on the effectiveness of the Company's internal control over financial reporting.

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 did not include the internal controls of ESI Limited, Occam Engineers Inc., Traffic Design Group Limited, Norwest Corporation, Cegertec Experts Conseils Inc., Peter Brett Associates LLP, and True Grit Engineering Limited acquisitions, which are included in the Company's 2018 consolidated financial statements. The aggregate assets acquired were \$127.0 million, representing 3.2% of the Company's total assets as at December 31, 2018. The gross revenue earned from their dates of acquisition to December 31, 2018, constituted 2.0% of the Company's gross revenue for the year ended December 31, 2018.



Gord Johnston  
President & CEO  
February 28, 2019



Theresa Jang  
Executive Vice President & CFO  
February 28, 2019

# Report of Independent Registered Public Accounting Firm

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

### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated statements of financial position of Stantec Inc. (the “Company”) as of December 31, 2018, and 2017, the related consolidated statements of income, comprehensive income (loss), shareholders’ equity and cash flows for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated February 28, 2019 expressed an unqualified opinion thereon.

### **Adoption of IFRS 15**

As discussed in Note 6 to the consolidated financial statements, the Company changed its method of accounting for revenue from contracts with customers in 2018 due to the adoption of IFRS 15, Revenue from Contracts with Customers.

### **Adoption of IFRS 9**

As discussed in Note 6 to the consolidated financial statements, the Company changed its method of accounting for financial instruments in 2018 due to the adoption of IFRS 9, Financial Instruments.

### **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor since 1993.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Chartered Professional Accountants

Edmonton, Canada  
February 28, 2019

# Report on Internal Control over Financial Reporting

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

### Opinion on Internal Control over Financial Reporting

We have audited Stantec Inc.'s (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Stantec Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

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 ESI Limited, Occam Engineers Inc., Traffic Design Group Limited, Norwest Corporation, Cegertec Experts Conseils Inc., Peter Brett Associates LLP, and True Grit Engineering Limited (Acquisitions), which are included in the 2018 consolidated financial statements of the Company. The total assets acquired from these specified acquisitions represented 3.2% of Stantec Inc.'s consolidated total assets as at December 31, 2018, and 2.0% of Stantec Inc.'s consolidated 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 the Acquisitions.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements of Stantec Inc., which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, the consolidated statements of income, comprehensive (loss) income, shareholders' equity and cash flows for the years ended December 31, 2018 and 2017, and the related notes, and our report dated February 28, 2019 expressed an unqualified opinion thereon.

### Basis for Opinion

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 Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Stantec Inc.'s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Stantec Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

## **Definition and Limitations of Internal Control over Financial Reporting**

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.

The logo for Ernst & Young LLP is written in a cursive, handwritten style. The letters are dark and fluid, with the 'E' and 'Y' being particularly prominent.

Chartered Professional Accountants

Edmonton, Canada  
February 28, 2019

## Consolidated Statements of Financial Position

As at December 31

(In millions of Canadian dollars)

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	9	185.2	239.5
Cash in escrow	9	-	7.9
Trade and other receivables	10	878.1	816.1
Unbilled receivables		384.6	414.8
Contract assets		59.7	-
Income taxes recoverable		47.9	61.6
Prepaid expenses		56.8	54.3
Other assets	14	23.2	14.0
<b>Total current assets</b>		<b>1,635.5</b>	<b>1,608.2</b>
<b>Non-current</b>			
Property and equipment	11	289.4	212.6
Goodwill	12	1,621.2	1,556.6
Intangible assets	13	247.7	262.4
Investments in joint ventures and associates		9.4	11.9
Net employee defined benefit asset	18	10.0	12.7
Deferred tax assets	26	21.2	23.2
Other assets	14	175.5	195.5
<b>Total assets</b>		<b>4,009.9</b>	<b>3,883.1</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Trade and other payables	15	567.2	704.6
Deferred revenue		174.4	187.4
Income taxes payable		2.9	11.0
Long-term debt	16	48.5	198.2
Provisions	17	42.4	28.1
Other liabilities	19	23.2	26.2
<b>Total current liabilities</b>		<b>858.6</b>	<b>1,155.5</b>
<b>Non-current</b>			
Income taxes payable		15.9	18.3
Long-term debt	16	885.2	541.4
Provisions	17	78.2	68.1
Net employee defined benefit liability	18	68.6	44.8
Deferred tax liabilities	26	54.3	54.6
Other liabilities	19	140.4	101.1
<b>Total liabilities</b>		<b>2,101.2</b>	<b>1,983.8</b>
<b>Shareholders' equity</b>			
Share capital	22	867.8	878.2
Contributed surplus	22	24.8	21.5
Retained earnings		851.2	947.1
Accumulated other comprehensive income		163.1	49.5
<b>Total shareholders' equity</b>		<b>1,906.9</b>	<b>1,896.3</b>
<b>Non-controlling interests</b>			
		1.8	3.0
<b>Total liabilities and equity</b>		<b>4,009.9</b>	<b>3,883.1</b>

See accompanying notes

On behalf of Stantec Inc.'s Board of Directors



Aram Keith, Director



Gord Johnston, Director

## Consolidated Statements of Income

Years ended December 31		2018	2017
(In millions of Canadian dollars, except per share amounts)	Notes	\$	\$
<b>Continuing operations</b>			
<b>Gross revenue</b>		<b>4,283.8</b>	4,028.7
Less subconsultant and other direct expenses		<b>928.6</b>	854.9
<b>Net revenue</b>		<b>3,355.2</b>	3,173.8
Direct payroll costs	29	<b>1,540.0</b>	1,411.9
<b>Gross margin</b>		<b>1,815.2</b>	1,761.9
Administrative and marketing expenses	7,22,29,35	<b>1,438.2</b>	1,407.7
Depreciation of property and equipment	11	<b>50.1</b>	52.2
Amortization of intangible assets	13	<b>65.0</b>	73.0
Net interest expense	27	<b>28.7</b>	25.9
Other net finance expense	27	<b>5.7</b>	7.1
Share of income from joint ventures and associates		<b>(1.6)</b>	(2.7)
Foreign exchange loss (gain)		<b>2.7</b>	(0.2)
Gain on disposition of a subsidiary	8	<b>-</b>	(54.6)
Other expense (income)	30	<b>0.1</b>	(10.0)
<b>Income before income taxes and discontinued operations</b>		<b>226.3</b>	263.5
<b>Income taxes</b>			
Current	26	<b>54.5</b>	192.9
Deferred	26	<b>0.5</b>	(26.4)
<b>Total income taxes</b>		<b>55.0</b>	166.5
<b>Net income for the year from continuing operations</b>		<b>171.3</b>	97.0
<b>Discontinued operations</b>			
Net loss from discontinued operations, net of tax	8	<b>(123.9)</b>	-
<b>Net income for the year</b>		<b>47.4</b>	97.0
<b>Earnings (Loss) per share, basic and diluted</b>			
Continuing operations	31	<b>1.51</b>	0.85
Discontinued operations	31	<b>(1.09)</b>	-
<b>Total basic and diluted earnings per share</b>		<b>0.42</b>	0.85

See accompanying notes

## Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31

(In millions of Canadian dollars)

	Notes	2018 \$	2017 \$
<b>Net income for the year</b>		<b>47.4</b>	<b>97.0</b>
<b>Other comprehensive income (loss)</b>			
Items that may be reclassified to net income in subsequent periods:			
Exchange differences on translation of foreign operations		<b>124.1</b>	(134.1)
Realized exchange difference on disposition of a subsidiary	8	<b>0.1</b>	13.8
Net unrealized loss on FVOCI financial assets		<b>1.1</b>	0.5
Net realized gain on FVOCI financial assets transferred to income	30	<b>-</b>	(9.6)
		<b>125.3</b>	(129.4)
Items not to be reclassified to net income:			
Remeasurement (loss) gain on net employee defined benefit liability net of deferred tax recovery of \$2.0 (2017 - tax expense of \$2.4)	18	<b>(10.8)</b>	11.6
<b>Other comprehensive income (loss) for the year, net of tax</b>		<b>114.5</b>	(117.8)
<b>Total comprehensive income (loss) for the year, net of tax</b>		<b>161.9</b>	(20.8)

See accompanying notes

## Consolidated Statements of Shareholders' Equity

<i>(In millions of Canadian dollars, except shares)</i>	Shares Outstanding (note 22) #	Share Capital (note 22) \$	Contributed Surplus (note 22) \$	Retained Earnings \$	Accumulated Other Comprehensive Income (Loss) \$	Total \$
<b>Balance, January 1, 2017</b>	114,081,229	871.8	18.7	917.9	167.3	1,975.7
Net income				97.0		97.0
Other comprehensive loss					(117.8)	(117.8)
Total comprehensive income (loss)				97.0	(117.8)	(20.8)
Share options exercised for cash	376,160	7.9				7.9
Share-based compensation expense			4.9			4.9
Shares repurchased under Normal Course Issuer Bid	(465,713)	(3.6)		(10.8)		(14.4)
Reclassification of fair value of share options previously expensed		2.1	(2.1)			-
Dividends declared				(57.0)		(57.0)
<b>Balance, December 31, 2017</b>	113,991,676	878.2	21.5	947.1	49.5	1,896.3
Impact of change in accounting policy (notes 6a, 6b)		-	-	(23.8)	(0.9)	(24.7)
<b>Adjusted balance, January 1, 2018</b>	113,991,676	878.2	21.5	923.3	48.6	1,871.6
Net income				47.4		47.4
Other comprehensive income					114.5	114.5
Total comprehensive income				47.4	114.5	161.9
Share options exercised for cash	338,989	6.9				6.9
Share-based compensation expense			5.6			5.6
Shares repurchased under Normal Course Issuer Bid	(2,470,560)	(19.1)	(0.5)	(57.1)		(76.7)
Reclassification of fair value of share options previously expensed		1.8	(1.8)			-
Dividends declared				(62.4)		(62.4)
<b>Balance, December 31, 2018</b>	<b>111,860,105</b>	<b>867.8</b>	<b>24.8</b>	<b>851.2</b>	<b>163.1</b>	<b>1,906.9</b>

See accompanying notes

## Consolidated Statements of Cash Flows

Years ended December 31		2018	2017
<i>(In millions of Canadian dollars)</i>	Notes	\$	\$
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>			(note 2)
Cash receipts from clients		4,367.6	4,036.4
Cash paid to suppliers		(1,706.3)	(1,470.7)
Cash paid to employees		(2,375.3)	(2,253.0)
Interest received		2.7	2.9
Interest paid		(30.5)	(28.1)
Finance costs paid		(5.5)	(6.7)
Income taxes paid		(59.0)	(44.7)
Income taxes recovered		11.5	18.3
Cash flows from operating activities from continuing operations		205.2	254.4
Cash flows (used in) from operating activities from discontinued operations		(32.6)	9.3
<b>Net cash flows from operating activities</b>		<b>172.6</b>	<b>263.7</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>			
Business acquisitions, net of cash acquired	7	(122.2)	(85.1)
Proceeds from lease inducements		10.1	4.4
Proceeds on disposition of a subsidiary	8	28.8	337.2
Cash sold on disposition of subsidiary	8	(49.1)	(0.6)
Income taxes paid on disposition of subsidiary	8	-	(124.1)
Purchase of intangible assets		(9.4)	(5.2)
Purchase of property and equipment		(124.8)	(58.9)
Proceeds (purchase) from other investing activities		3.7	(5.1)
Cash flows (used in) from investing activities from continuing operations		(262.9)	62.6
Cash flows (used in) investing activities from discontinued operations, net of taxes paid	8	(3.2)	(2.3)
<b>Net cash flows (used in) from investing activities</b>		<b>(266.1)</b>	<b>60.3</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>			
Net proceeds (repayment) from revolving credit facility	8	312.3	(203.0)
Repayment of term loan	16	(150.0)	-
Repayment of other long-term debt		(0.3)	(2.5)
Payment of finance lease obligations		(14.8)	(12.7)
Repurchase of shares for cancellation	22	(74.7)	(14.4)
Proceeds from issue of share capital		6.9	7.9
Payment of dividends to shareholders	22	(61.3)	(55.5)
Cash flows from (used in) financing activities from continuing operations		18.1	(280.2)
Cash flows (used in) financing activities from discontinued operations		(0.1)	(0.9)
<b>Net cash flows from (used in) financing activities</b>	32	<b>18.0</b>	<b>(281.1)</b>
<b>Foreign exchange gain (loss) on cash held in foreign currency</b>		<b>21.2</b>	<b>(14.3)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(54.3)</b>	<b>28.6</b>
Cash and cash equivalents, beginning of the year		239.5	210.9
<b>Cash and cash equivalents, end of the year</b>	9	<b>185.2</b>	<b>239.5</b>

See accompanying notes

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# Notes to the Consolidated Financial Statements

## 1. Corporate Information

The consolidated financial statements of Stantec Inc. (the Company) for the year ended December 31, 2018, were authorized for issuance in accordance with a resolution of the Company's board of directors on February 27, 2019. The Company was incorporated under the Canada Business Corporations Act on March 23, 1984. Its shares are traded on the Toronto Stock Exchange (TSX) and New York Stock Exchange (NYSE) under the symbol STN. The Company's registered office is located at Suite 400, 10220 - 103 Avenue, Edmonton, Alberta. The Company is domiciled in Canada.

The Company is a provider of comprehensive professional services in the area of infrastructure and facilities for clients in the public and private sectors. The Company's services include engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, project management, and project economics, from initial project concept and planning through to design, construction administration, commissioning, maintenance, decommissioning, and remediation.

## 2. Basis of Preparation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accounting policies adopted in these consolidated financial statements are based on IFRS effective as at December 31, 2018.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated in the significant accounting policies. The consolidated financial statements are presented in Canadian dollars, and all values, including United States dollars, are rounded to the nearest million (\$000,000), except when otherwise indicated.

In November 2018, the Company sold its Construction Services business, which was reported as discontinued operations. Prior period amounts were restated to conform to current period's presentation, as prescribed by IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

## 3. Basis of Consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries, and its structured entities as at December 31, 2018.

Subsidiaries and structured entities are fully consolidated from the date of acquisition, which is the date the Company obtains control, and continue to be consolidated until the date that this control ceases. The financial statements of the subsidiaries and structured entities are prepared as at December 31, 2018, and December 31, 2017. All intercompany balances are eliminated.

Joint ventures and associates are accounted for using the equity method, and joint operations are accounted for by the Company recognizing its share of assets, liabilities, revenue, and expenses of the joint operation.

## 4. Summary of Significant Accounting Policies

### a) Cash and cash equivalents

Cash and cash equivalents include cash and unrestricted investments.

### b) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Cost includes the cost of replacing parts of property and equipment. When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes those parts as individual assets with specific useful lives. All other repair and maintenance costs are recognized in the consolidated statements of income as incurred.

Depreciation is calculated at annual rates designed to write off the costs of assets over their estimated useful lives as follows:

Engineering equipment	5 to 10 years	straight-line
Office equipment	5 to 10 years	straight-line
Leasehold improvements		straight-line over term of lease to a maximum of 15 years or the improvement's economic life
Other	5 to 50 years	straight-line

The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

### **c) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of a finite and indefinite intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, finite intangible assets are carried at cost less any accumulated amortization and any impairment losses and indefinite intangible assets are carried at cost less any impairment loss.

The Company's intangible assets with finite lives are amortized over their useful economic lives on a straight-line basis. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

The Company also incurs costs for third-party internet-based cloud computing services. These costs are expensed in administrative and marketing expenses over the period of the service agreement.

#### *Intangible assets acquired from business combinations*

The Company's policy is to amortize client relationships with finite lives over periods ranging from 10 to 15 years. Contract backlog and finite trademarks are amortized over estimated lives of generally 1 to 3 years. Advantageous and disadvantageous lease commitments are amortized over the remaining lease term. The Company assigns value to acquired intangibles using the income approach, which involves quantifying the present value of net cash flows attributed to the subject asset. This, in turn, involves estimating the revenues and earnings expected from the asset.

### **d) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date. A lease is an agreement whereby the lessor conveys to the lessee, the right to use an asset for an agreed period of time in return for a payment or series of payments.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability, achieving a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statements of income.

Leased assets are depreciated over their useful lives. However, if there is no reasonable certainty that the Company will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of either its estimated useful life or the lease term. The Company has finance leases for certain office and automotive equipment that are depreciated on a straight-line basis. The Company also has finance leases for software that are depreciated on a straight-line basis over periods ranging from three to seven years.

Rental payments under operating leases are expensed evenly over the lease term.

From time to time, the Company enters into or renegotiates premise operating leases that result in receiving 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 premise operating leases that include escalation clauses. The scheduled rent increases pursuant to lease escalation clauses are recognized on a straight-line basis over the lease terms.

#### **e) Investments in joint arrangements and associates**

Each joint arrangement of the Company is classified as either a joint venture or joint operation based on the rights and obligations arising from the contractual obligations between the parties to the arrangement. A joint arrangement that provides the Company with rights to the net assets of the arrangement is classified as a joint venture, and a joint arrangement that provides the Company with rights to the individual assets and obligations arising from the arrangement is classified as a joint operation.

The Company accounts for a joint venture using the equity method (described below). The Company accounts for a joint operation by recognizing its share of assets, liabilities, revenues, and expenses of the joint operation and combining them line by line with similar items in the Company's consolidated financial statements.

The Company's share of the after tax net income or loss of associates or joint ventures is recorded in the consolidated statements of income. Adjustments are made in the Company's consolidated financial statements to eliminate its share of unrealized gains and losses resulting from transactions with its associates.

If the financial statements of associates or joint arrangements are prepared for a date that is different from the Company's date (due to the timing of finalizing and receiving information), adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements. When necessary, adjustments are made to bring the accounting policies in line with the Company's.

#### **f) Provisions**

##### *General*

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed—for example, under an insurance contract—and when the reimbursement is virtually certain, the reimbursement is recognized as a separate asset. The expense relating to any provision is presented in the consolidated statements of income net of any reimbursement. If the effect of the time value of money is significant, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

##### *Provision for self-insured liabilities*

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

##### *Provisions for claims*

The Company has claims that are not covered by its provisions for self-insured liabilities, including claims that are subject to exclusions under the Company's commercial and captive insurance policies. Provisions are recognized for these claims in accordance with the preceding description of provisions under "General."

##### *Contingent liabilities recognized in a business combination*

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured in accordance with the preceding description of provisions under "General."

##### *Onerous contracts*

The Company's onerous contracts consist of lease exit liabilities and sublease losses. For lease exit liabilities, the Company accrues charges when it ceases to use an office space under an operating lease arrangement. Included in the liability is the present value of the remaining lease payments offset by the present value of estimated future rental income.

### **g) Foreign currency translation**

The Company's consolidated financial statements are presented in Canadian dollars, which is also the parent Company's functional currency. Each entity in the Company determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. The Company is mainly exposed to fluctuations in the US dollar and GBP.

#### *Transactions and balances*

Transactions in foreign currencies (those different from an entity's functional currency) are initially translated into the functional currency of an entity using the foreign exchange rate at the transaction date. Subsequent to the transaction date, foreign currency transactions are measured as follows:

- On the consolidated statements of financial position, monetary items are translated at the rate of exchange in effect at the reporting date. Non-monetary items at cost are translated at historical exchange rates. Non-monetary items at fair value are translated at rates in effect at the date the fair value is determined. Any resulting realized and unrealized foreign exchange gains or losses are included in income in the period incurred, however, unrealized foreign exchange gains and losses on non-monetary investments (equity investments) are classified as fair value through other comprehensive income (loss).
- Revenue and expense items are translated at the exchange rate on the transaction date, except for depreciation and amortization, which are translated at historical exchange rates.

#### *Foreign operations*

The Company's foreign operations are translated into its reporting currency (Canadian dollar) as follows:

- Assets and liabilities are translated at the rate of exchange in effect at each consolidated statement of financial position date
- Revenue and expense items (including depreciation and amortization) are translated at the average rate of exchange for the month

The resulting unrealized exchange gains and losses on foreign subsidiaries are recognized in other comprehensive income (loss).

### **h) Financial instruments**

#### *Initial recognition and subsequent measurement*

Financial assets (except trade and other receivables and unbilled receivables that do not have a significant financing component) are initially recognized at fair value plus directly attributable transaction costs, except for financial assets at fair value through profit and loss (FVPL), for which transaction costs are expensed. Trade and other receivables and unbilled receivables that do not have a significant financing component are initially measured at the transaction price determined in accordance with IFRS 15. Purchases or sales of financial assets are accounted for at trade dates.

Subsequent measurement of financial assets is at fair value through profit or loss, amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business approach for managing the financial assets and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the SPPI criterion). The business approach considers whether a Company's objective is to receive cash flows from holding assets, from selling assets in a portfolio, or a combination of both. The Company reclassifies financial assets only when its business approach for managing those assets changes.

- Amortized cost: Assets held for collection of contractual cash flows—when they meet the SPPI criterion—are measured at amortized cost using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired. Items in this category include cash and cash equivalents, cash in escrow, receivables, and certain other financial assets.

- FVOCI: Assets held in a business approach to both collect cash flows and sell the assets—when they meet the SPPI criterion—are measured at FVOCI. Bonds held for self-insured liabilities are included in this category. Changes in the carrying amount are reported in other comprehensive income (except impairments) until disposed of. At this time, the realized gains and losses are recognized in finance income. Interest income from these financial assets is included in interest income using the effective interest rate method. Impairment and foreign exchange gains and losses are reported in income.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL with realized and unrealized gains and losses reported in other income (expense). Equity securities held for self-insured liabilities and indemnifications are included in this category.

Financial liabilities are initially recognized at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. Subsequent measurement of financial liabilities is at amortized cost using the EIR method. The EIR method discounts estimated future cash payments or receipts through the expected life of a financial instrument, and thereby calculates the amortized cost and subsequently allocates the interest income or expense over the life of the instrument. For trade and other payables and other financial liabilities, realized gains and losses are reported in income. For long-term debts, EIR amortization and realized gains and losses are recognized in net finance expense.

#### *Fair value*

After initial recognition, the fair values of financial instruments are based on the bid prices in quoted active markets for financial assets and on the ask prices for financial liabilities. For financial instruments not traded in active markets, fair values are determined using appropriate valuation techniques, which may include recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, and discounted cash flow analysis; however, other valuation models may be used. The fair values of the Company's derivatives are based on third-party indicators and forecasts. Fair values of cash and cash equivalents, cash in escrow, trade and other receivables, and trade and other payables approximate their carrying amounts because of the short-term maturity of these instruments. The carrying amounts of bank loans approximate their fair values because the applicable interest rates are based on variable reference rates. The carrying amounts of other financial assets and financial liabilities approximate their fair values except as otherwise disclosed in the consolidated financial statements.

All financial instruments carried at fair value are categorized into one of the following:

- Level 1 – quoted market prices in active markets for identical assets or liabilities at the measurement date
- Level 2 – observable inputs other than quoted prices included within level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets or liabilities that are not active, or other inputs that are observable directly or indirectly
- Level 3 – unobservable inputs for the assets and liabilities that reflect the reporting entity's own assumptions and are not based on observable market data

When forming estimates, the Company uses the most observable inputs available for valuation purposes. If a fair value measurement reflects inputs of different levels within the hierarchy, the financial instrument is categorized based on the lowest level of significant input.

When determining fair value, the Company considers the principal or most advantageous market in which it would transact and the assumptions that market participants would use when pricing the asset or liability. For financial instruments recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels of the hierarchy by reassessing categorizations at the end of each reporting period.

#### *Derivatives*

From time to time, the Company enters into foreign currency forward contracts to manage risk associated with net operating assets or liabilities denominated in foreign currencies. The Company's policy is not to use these derivatives for trading or speculative purposes.

## **i) Impairment**

The carrying amounts of the Company's assets or group of assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is an indication of impairment. An asset may be impaired if objective evidence of impairment exists because of one or more events that have occurred after the initial recognition of the asset (referred to as a "loss event") and if that loss event has an impact on the estimated future cash flows of the financial asset. When an indication of impairment exists or annual impairment testing for an asset is required, the asset's recoverable amount is estimated.

### *Financial assets and contract assets*

The Company recognizes an allowance for expected credit losses (ECLs) on financial assets and contract assets based on a 12-month ECL or lifetime ECL. Financial assets and contract assets considered to have low credit risk have an impairment provision recognized during the period limited to 12-month ECLs. However, when credit risk has increased significantly since origination, the allowance is based on the lifetime ECL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

When the carrying amount of financial assets or contract assets is reduced through an ECL allowance, the reduction is recognized in administrative and marketing expenses in the consolidated statements of income.

### *Non-financial assets*

For non-financial assets such as property and equipment, goodwill, investments in joint ventures and associates, and intangible assets, the recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) value in use or its fair value less costs of disposal. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. To assess value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. To determine fair value less costs of disposal, an appropriate valuation model is used. The results of these valuation techniques are corroborated by the market capitalization of comparable public companies and arm's-length transactions of comparable companies. Impairment losses are recognized in the consolidated statements of income in expense categories that are consistent with the nature of the impaired asset.

Goodwill is not amortized but is evaluated for impairment annually (as at October 1) or more frequently if circumstances indicate that an impairment may occur or if a significant acquisition occurs between the annual impairment test date and December 31. The Company considers the relationship between its market capitalization and its book value, as well as other factors, when reviewing for indicators of impairment. Goodwill is assessed for impairment based on the CGUs or group of CGUs to which the goodwill relates. Any potential goodwill impairment is identified by comparing the recoverable amount of a CGU or group of CGUs to its carrying value which includes the allocated goodwill. If the recoverable amount is less than its carrying value, an impairment loss is recognized.

An impairment loss of goodwill is not reversed. For other assets, an impairment loss may be reversed if the estimates used to determine the recoverable amount have changed. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years. The reversal is recognized in the consolidated statements of income.

## **j) Revenue recognition**

The Company generates revenue from contracts in which goods or services are typically provided over time. Revenue is measured based on the consideration the Company expects to be entitled to in exchange for providing goods and services, excluding discounts, duty, and taxes collected from clients that are reimbursable to government authorities.

While providing services, the Company incurs certain direct costs for subconsultants, subcontractors, and other expenses that are recoverable directly from clients. The recoverable amounts of these direct costs are included in

the Company's gross revenue. Since these direct costs can vary significantly from contract to contract, changes in gross revenue may not be indicative of the Company's revenue trends. Therefore, the Company also reports net revenue, which is gross revenue less subconsultants, subcontractors, and other direct expenses. The Company assesses its revenue arrangements against specific criteria to determine whether it is acting as a principal or an agent. In general, the Company acts as a principal in its revenue arrangements because it obtains control of the goods or services before they are provided to the customer.

Most of the Company's contracts include a single performance obligation because the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract and therefore is not distinct. The Company's contracts may include multiple goods or services that are accounted for as separate performance obligations if they are distinct—if a good or service is separately identifiable from other items in the contract and if a customer can benefit from it. If a contract has multiple performance obligations, the consideration in the contract is allocated to each performance obligation based on the estimated stand-alone selling price.

The Company transfers control of the goods or services it provides to clients over time and therefore recognizes revenue progressively as the services are performed. Revenue from fixed-fee and variable-fee-with-ceiling contracts, including contracts in which the Company participates through joint arrangements, is recognized based on the percentage of completion method where the stage of completion is measured using costs incurred to date as a percentage of total estimated costs for each contract, and the percentage of completion is applied to total estimated revenue. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Provisions for estimated losses on incomplete contracts are made in the period that the losses are determined. Revenue from time-and-material contracts without stated ceilings is recognized as costs are incurred based on the amount that the Company has a right to invoice.

The timing of revenue recognition, billings, and cash collections results in trade and other receivables, holdbacks, unbilled receivables, contract assets, and deferred revenue (contract liabilities) in the consolidated statements of financial position. Amounts are typically invoiced as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or when contractual milestones are achieved. Receivables represent amounts due from customers: trade and other receivables and holdbacks consist of invoiced amounts, and unbilled receivables consist of work in progress that has not yet been invoiced. Contract assets represent unbilled amounts where the right to payment is subject to more than the passage of time and includes performance-based incentives and services provided ahead of agreed contractual milestones. Contract assets are transferred to receivables when the right to consideration becomes unconditional. Deferred revenue (contract liabilities) represents amounts that have been invoiced but not yet recognized as revenue, including advance payments and billings in excess of revenue. Deferred revenue is recognized as revenue when (or as) the Company performs under the contract.

Revenue is adjusted for the effects of a significant financing component when the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Advance payments and holdbacks typically do not result in a significant financing component because the intent is to provide protection against the failure of one party to adequately complete some or all of its obligations under the contract.

#### *Deferred contract costs*

Contract costs are typically expensed as incurred. Contract costs are deferred if the costs are expected to be recoverable and if either of the following criteria is met:

- The costs of obtaining the contract are incremental or explicitly chargeable to the customer
- The fulfillment costs relate directly to the contract or an anticipated contract and generate or enhance the Company's resources that will be used in satisfying performance obligations in the future

Deferred contract costs are included in other assets in the consolidated statements of financial position and amortized over the period of expected benefit using the percentage of completion applied to estimated revenue. Amortization of deferred contract costs is included in other direct expenses in the consolidated statements of income.

## **k) Employee benefit plans**

### *Defined benefit plans*

The Company sponsors defined benefit pension plans covering certain full-time employees and past employees, primarily in the United Kingdom. Benefits are based on final compensation and years of service. Benefit costs (determined separately for each plan using the projected unit credit method) are recognized over the periods that employees are expected to render services in return for those benefits.

Remeasurements, comprising actuarial gains and losses and the return on the plan assets (excluding interest), are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit to other comprehensive income in the period they occur. Remeasurements are not reclassified to net income in subsequent periods.

The calculation of defined benefit obligations is performed annually by a qualified actuary. When the calculation results in a potential asset, the recognized asset is limited to the economic benefits available in the form of any future refunds or of reductions in future contributions to the plan.

Past service costs are recognized in net income on the earlier of the date of the plan amendment or curtailment and the date that the Company recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, adjusted for benefit and contribution payments during the year. The Company recognizes the following changes in the net defined benefit obligations under administrative and marketing expenses: service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements; net interest expense or income; and administrative expenses paid directly by the pension plans.

### *Defined contribution plans*

The Company also contributes to group retirement savings plans and an employee share purchase plan. Certain plans are based on employee contribution amounts and subject to maximum limits per employee. The Company accounts for defined contributions as an expense in the period the contributions are made.

## **l) Taxes**

### *Current income tax*

Current income tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. Tax rates and tax laws used to compute the amounts are those enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax that relates to items recognized directly in equity is recognized in equity and not in the consolidated statements of income. Management periodically evaluates positions taken in the tax returns when applicable tax regulations are subject to interpretation and then establishes an uncertain tax liability if appropriate.

Income taxes payable are typically expected to be settled within twelve months of the year-end date. However, there may be instances where taxes are payable over a longer period. Portions due after a one year period are classified as noncurrent and are not discounted.

### *Deferred tax*

Deferred tax is determined using the liability method for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized. Deferred taxes are not recognized for the initial recognition of goodwill; the initial recognition of assets or liabilities, outside of a business combination, that affect neither accounting nor taxable profit; or the differences relating to investments in associates, subsidiaries, and interests in

joint arrangements to the extent that the reversal can be controlled and it is probable that it will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be used. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled and are based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside income is also recognized outside income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset when a legally enforceable right exists to set off tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### *Sales tax*

Revenues, expenses, and assets, except trade receivables, are recognized net of the amount of sales tax recoverable from or payable to a taxation authority. Trade receivables and trade payables include sales tax. The net amount of sales tax recoverable from or payable to a taxation authority is included as part of trade receivables or trade payables (as appropriate) in the consolidated statements of financial position.

#### **m) Share-based payment transactions**

Under the Company's share option plan, the board of directors may grant to officers and employees remuneration in the form of share-based payment transactions, whereby officers and employees render services as consideration for equity instruments (equity-settled transactions).

Under the Company's deferred share unit plan, the directors of the board of the Company may receive deferred share units (DSUs), each of which is equal to one common share. Under the Company's long-term incentive plan, certain members of the senior leadership teams are granted performance share units (PSUs) that vest and are settled after a three-year period. DSUs and PSUs are share appreciation rights that can be settled only in cash (cash-settled transactions).

#### *Equity-settled transactions*

The cost of equity-settled transactions is measured at fair value at the grant date using a Black-Scholes option-pricing model. The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the service conditions are fulfilled (the vesting period). For equity-settled transactions, the cumulative expense recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit to income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recorded in administrative and marketing expenses. No expense is recognized for awards that do not ultimately vest.

#### *Cash-settled transactions*

The cost of cash-settled transactions is measured initially at fair value at the grant date using a Black-Scholes option-pricing model. For DSUs, this fair value is expensed on issue with the recognition of a corresponding liability. For PSUs, the fair value is expensed over the vesting period. These liabilities are remeasured to fair value at each reporting date, up to and including the settlement date, with changes in fair value recognized in administrative and marketing expenses.

#### **n) Earnings per share**

Basic earnings per share is computed based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed using the treasury stock method, which assumes that the cash that would be received on the exercise of options is applied to purchase shares at the average price during

the year and that the difference between the number of shares issued on the exercise of options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding. Antidilutive options are not considered when computing diluted earnings per share.

**o) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method, and the results of operations after the respective dates of acquisition are included in the consolidated statements of income. Acquisition-related costs are expensed when incurred in administrative and marketing expenses.

The cost of an acquisition is measured as the consideration transferred at fair value at the acquisition date. Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in other income.

The consideration paid for acquisitions may be subject to price adjustment clauses included in the purchase agreements and may extend over a number of years. At each consolidated statement of financial position date, these price adjustment clauses are reviewed. This may result in an increase or decrease of the notes payable consideration (recorded on the acquisition date) to reflect either more or less non-cash working capital than was originally recorded. Since these adjustments are a result of facts and circumstances occurring after the acquisition date, they are not considered measurement period adjustments.

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

Goodwill is initially measured at cost, which is the excess of the consideration transferred over the fair value of a Company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets acquired, the difference is recognized in income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each CGU or group of CGUs that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each CGU or group of CGUs represents the lowest level at which management monitors the goodwill.

**p) Dividends**

Dividends on common shares are recognized in the Company's consolidated financial statements in the period the dividends are declared by the Company's board of directors.

**q) Non-current assets held for sale and discontinued operations**

The Company classifies non-current assets and disposal groups as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and when a sale is considered highly probable. These non-current assets and disposal groups are remeasured at the lower of their carrying amount and fair value less costs to sell, and these assets are no longer depreciated. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. Impairment losses on initial classification and subsequent gains or losses on remeasurement are recognized in the consolidated statements of income as discontinued operations. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company, and (a) represents a separate major line of business or geographic area of operations; (b) is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

Discontinued operations are presented separately from continuing operations in the consolidated statements of income and consolidated statements of cash flows for all periods presented.

## **5. Significant Accounting Judgments, Estimates, and Assumptions**

Preparation of the Company's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, as well as the disclosure of contingent liabilities at the end of the reporting year. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Discussed below are the key management judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **a) Revenue recognition**

The Company accounts for its revenue from fixed-fee and variable-fee-with-ceiling contracts using the percentage of completion method, which requires estimates to be made for contract costs and revenues.

Contract costs include direct labor and direct costs for subconsultants, and other expenditures that are recoverable directly from clients. Progress on jobs is regularly reviewed by management and estimated costs to complete are revised based on the information available at the end of each reporting period. Contract cost estimates are based on various assumptions that can result in a change to contract profitability from one financial reporting period to another. Assumptions are made about labor productivity, the complexity of the work to be performed, the performance of subconsultants, and the accuracy of original bid estimates. Estimating total costs is subjective and requires management's best judgments based on the information available at that time.

On an ongoing basis, estimated revenue is updated to reflect the amount of consideration the Company expects to be entitled to in exchange for providing goods and services. Revenue estimates are affected by various uncertainties that depend on the outcome of future events, including change orders, claims, variable consideration, and contract provisions for performance-based incentives or penalties.

Change orders are included in estimated revenue when management believes the Company has an enforceable right to the change order, the amount can be estimated reliably, and realization is highly probable. Claims against other parties, including subconsultants, are recognized as a reduction in costs using the same criteria. To evaluate these criteria, management considers the contractual or legal basis for the change order, the cause of any additional costs incurred, and the history of favorable negotiations for similar amounts. As change orders are not recognized until highly probable, it is possible for the Company to have substantial contract costs recognized in one accounting period and associated revenue or reductions in cost recognized in a later period.

The Company's contracts may include variable consideration such as revenue based on costs incurred and performance-based incentives or penalties. Variable consideration is estimated by determining the most likely amount the Company expects to be entitled to, unless the contract includes a range of possible outcomes for performance-based amounts. In that case, the expected value is determined using a probability weighting of the range of possible outcomes. Variable consideration, including change orders approved as to scope but unapproved as to price, is included in estimated revenue to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are based on historical experience, anticipated performance, and management's best judgment based on the information available at the time.

Consideration in contracts with multiple performance obligations is allocated to the separate performance obligations based on estimates of stand-alone selling prices. The primary method used to estimate the stand-alone selling price is expected cost plus an appropriate margin. To determine the appropriate margin, management considers margins for comparable services under similar contracts in similar markets.

Deferred contract costs are amortized over the period of expected benefit, which may include anticipated contracts. Estimating the costs to be deferred and the period of expected benefit is subjective and requires the use of management's best judgments based on information available at that time.

Changes in estimates are reflected in the period in which the circumstances that gave rise to the change became known and affect the Company's revenue, unbilled receivables, contract assets, and deferred revenue.

#### **b) Provision for self-insured liabilities**

The Company self-insures certain risks, including professional liability, automobile liability, and employment practices liability. The accrual for self-insured liabilities includes estimates of the costs of reported claims and is based on estimates of loss using management's assumptions, including consideration of actuarial projections. These estimates of loss are derived from loss history that is then subjected to actuarial techniques to determine the proposed liability. Estimates of loss may vary from those used in the actuarial projections and result in a larger loss than estimated. An increase in loss is recognized in the period that the loss is determined and increases the Company's self-insured liabilities and reported expenses.

#### **c) Share-based payment transactions**

The Company measures the cost of share-based payment transactions by reference to the fair value of the equity instruments at the grant date. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which depends on the terms and conditions of the grant. The Company has chosen the Black-Scholes option-pricing model for equity-settled and cash-settled share-based payment transactions. Estimating fair value also requires determining the most appropriate inputs to the valuation model—including volatility in the price of the Company's shares, a risk-free interest rate, and the expected hold period to exercise—and making assumptions about them. Changes to estimates are recorded in the period they are made and affect the Company's administrative and marketing expenses, contributed surplus, and other liabilities.

#### **d) Business combinations**

In a business combination, the Company may acquire certain assets and assume certain liabilities of an acquired entity. The estimate of fair values for these transactions involves judgment to determine the fair values assigned to the tangible and intangible assets (i.e., backlog, client relationships, trademarks, software, and favorable and unfavorable leases) acquired and the liabilities assumed on the acquisition. Determining fair values involves a variety of assumptions, including revenue growth rates, client retention rates, expected operating income, and discount rates.

From time to time, as a result of the timing of acquisitions in relation to the Company's reporting schedule, certain estimates of fair values of assets and liabilities acquired may not be finalized at the initial time of reporting. These estimates are completed after the vendors' final financial statements have been prepared and accepted by the Company, after detailed project portfolio reviews are performed, and when the valuations of intangible assets and other assets and liabilities acquired are finalized. Preliminary fair values are based on management's best estimates of the acquired identifiable assets and liabilities at the acquisition date. During a measurement period not to exceed one year, adjustments to the initial estimates may be required to finalize the fair value of assets acquired and liabilities assumed. The Company will revise comparative information if these measurement period adjustments are material. After the measurement period, a revision to fair value may impact the Company's net income.

#### **e) Impairment of goodwill**

Impairment exists when the carrying amount of an asset or CGU or group of CGUs exceeds its recoverable amount, which is the higher of its fair value less costs of disposal or its value in use. Fair value less costs of disposal is based on available data from binding sales transactions in an arms-length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from budgets over an appropriate number of years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU or group of CGUs being tested. To arrive at the estimated recoverable amount, the Company uses estimates of economic and market information, including arms-length transactions for similar assets, growth rates in revenues, estimates of future expected changes in operating margins, cash expenditures, and estimates of capital expenditures.

#### **f) Employee benefit plans**

The cost of the defined benefit pension plans and the present value of the pension obligations are determined separately for each plan using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual future developments. These include determining the discount rate, mortality rates, future salary increases, inflation, and future pension increases. Due to the complexities involved in the valuation and its long-term nature, the defined benefit obligation and cost are highly sensitive to changes in these assumptions, particularly to the discount and mortality rates (although a portion of the pension plans has protection against improving mortality rates by utilizing guaranteed annuity rate contracts with an insurance company). All assumptions are reviewed annually.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment obligation and that have an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the benefit obligation.

The mortality rate is based on publicly available information in the actuarial profession's publications plus any special geographical or occupational features of each plan's membership. Mortality tables tend to change only at intervals in response to demographic changes. Future salary increases reflect the current estimate of management. Pension increases are calculated based on the terms of the individual plans and estimated future inflation rates.

#### **g) Fair value of financial instruments**

When the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, it is determined using valuation techniques, including the discounted cash flow model. The inputs to these models are taken from observable markets if possible; otherwise a degree of judgment is required including considering inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments and reported expenses and income.

#### **h) Taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of deferred taxable income. The Company's income tax assets and liabilities are based on interpretations of income tax legislation across various jurisdictions, primarily in Canada, United States, and the United Kingdom. The Company's effective tax rate can change from year to year based on the mix of income among jurisdictions, changes in tax laws in these jurisdictions, and changes in the estimated value of deferred tax assets and liabilities. The Company's income tax expense reflects an estimate of the taxes it expects to pay for the current year, as well as a provision for changes arising in the values of deferred tax assets and liabilities during the year. The tax value of these assets and liabilities is impacted by factors such as accounting estimates inherent in these balances, management's expectations about future operating results, previous tax audits, and differing interpretations of tax regulations by the taxable entity and the responsible tax authorities. Differences in interpretation may arise for a wide variety of issues, depending on the conditions prevailing in the respective legal entity's domicile. Management regularly assesses the likelihood of recovering value from deferred tax assets, such as loss carryforwards, as well as from deferred tax depreciation of capital assets, and adjusts the tax provision accordingly.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based on the likely timing and the level of future taxable profits, together with future tax-planning strategies. If estimates change, the Company may be required to recognize an adjustment to its deferred income tax asset or liability and income tax expense.

### **6. Recent Accounting Pronouncements and Changes to Accounting Policies**

#### **a) Revenue from contracts with customers**

Effective January 1, 2018, the Company has adopted IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) using the modified retrospective approach. As a result, the after-tax cumulative effect of initially applying IFRS 15 was recognized as an adjustment to the opening retained earnings at January 1, 2018. Comparative information has not been restated and continues to be reported under IAS 18 *Revenue* and IAS 11 *Construction Contracts*.

The Company used the practical expedient to apply IFRS 15 only to contracts not completed at January 1, 2018. In addition, the Company used the practical expedient to reflect the aggregate effect of all contract modifications that occurred before January 1, 2018, for the purposes of identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.

### Quantitative impact of significant changes

On the adoption of IFRS 15, the after-tax impact on retained earnings is as follows:

	Retained Earnings
	\$
Change orders and claims	(3.0)
Significant financing component	1.7
Construction services - discontinued operations	(22.6)
<b>Total impact of change in accounting policy, January 1, 2018</b>	<b>(23.9)</b>

#### *Change orders and claims*

The Company previously included change orders and claims against the customer in estimated revenue at completion when it was probable the customer would approve or accept the amount and it could be reliably measured. Under IFRS 15, change orders and claims against the customer are included in estimated revenue at completion when management believes the Company has an enforceable right to the change order or claim, the amount can be estimated reliably, and realization is highly probable. To evaluate these criteria, management considers the cause of any additional costs incurred, the contractual or legal basis for additional revenue, and the history of favorable negotiations for similar amounts.

#### *Significant financing component*

The Company previously recognized holdbacks on long-term contracts at their discounted present value. Under IFRS 15, holdbacks do not typically result in a significant financing component because the intent is to provide protection against the failure of one party to adequately complete some or all obligations under the contract. As a result, holdbacks on long-term contracts are no longer discounted.

#### *Construction services*

Liquidated damages were previously included in estimated contract costs when it was considered probable that penalties would be incurred and paid. Under IFRS 15, liquidated damages are required to be included as a reduction in estimated revenue and the estimates are based on the weighting of probable outcomes.

#### *Presentation of contract balances*

The Company reclassified certain amounts in the consolidated statements of financial position to comply with IFRS 15. Amounts that will be billed based on contractual milestones or on achievement of performance-based targets that were previously presented as unbilled receivables are now included in contract assets. In addition, contract asset and deferred revenue balances are now presented on a net basis for each contract. This reclassification had no impact on shareholders' equity as of January 1, 2018.

#### *Impacts on financial statements*

The following tables summarize the impacts of adopting IFRS 15 in the Company's consolidated financial statements as of December 31, 2018.

## Consolidated statement of financial position

	December 31, 2018		
	As Reported	Before IFRS 15	Increase (Decrease)
	\$	\$	\$
<b>Current assets</b>			
Unbilled receivables	384.6	444.4	(59.8)
Contract assets	59.7	-	59.7
Other assets	23.2	20.3	2.9
<b>Non-current assets</b>			
Deferred tax assets	21.2	21.8	(0.6)
Other assets	175.5	167.3	8.2
<b>Current liabilities</b>			
Deferred revenue	174.4	165.7	8.7
<b>Shareholders' equity</b>			
Retained earnings	851.2	848.9	2.3
Accumulated other comprehensive income	163.1	163.7	(0.6)

## Consolidated statements of income and comprehensive income (loss)

	For the year ended December 31, 2018		
	As Reported	Before IFRS 15	Increase (Decrease)
	\$	\$	\$
<b>Net income</b>			
Gross revenue	4,283.8	4,287.9	(4.1)
Subconsultant/subcontractor and other direct expenses	928.6	937.1	(8.5)
Total income taxes	55.0	53.8	1.2
Net income for the year from continuing operations	171.3	168.1	3.2
Net loss from discontinued operation, net of tax	(123.9)	(146.9)	23.0
Net income for the year	47.4	21.2	26.2
<b>Comprehensive income</b>			
Exchange differences on translation of foreign operations	124.1	124.7	(0.6)
Other comprehensive income for the year, net of tax	114.5	115.1	(0.6)
Total comprehensive income for the year, net of tax	161.9	136.3	25.6
<b>Earnings per share, basic and diluted</b>			
Continuing operations	1.51	1.48	0.03
Discontinued operations	(1.09)	(1.29)	0.20
Total basic and diluted earnings per share	0.42	0.19	0.23

### b) Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9 *Financial Instruments* (IFRS 9), resulting in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with its transitional provision, IFRS 9 was adopted on a modified retrospective basis. Comparative figures were not restated and continue to be reported under IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39).

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, including derecognition. The new standard includes a single expected-loss impairment model and a reformed approach to hedge accounting. The adoption of IFRS 9 did not have a significant effect on the Company's measurement of financial assets and liabilities. IFRS 9 replaces IAS 39 and significantly amends other standards dealing with financial instruments, such as IFRS 7 *Financial Instruments: Disclosures*.

### Quantitative impact of significant changes

On the adoption of IFRS 9, the impact on equity (after-tax) is as follows:

	Retained Earnings \$	Accumulated Other Comprehensive Loss \$
Reclassify equity securities from available-for-sale (AFS) to FVPL	0.9	(0.9)
Other	(0.8)	-
<b>Total impact of changes in accounting policy, January 1, 2018</b>	<b>0.1</b>	<b>(0.9)</b>

On January 1, 2018, the Company assessed the business approach that applies to its financial assets and has classified its financial instruments into appropriate IFRS 9 categories. Certain investments in equity securities were reclassified from AFS to FVPL (\$49.4) at January 1, 2018, since they do not meet the criteria to be classified at FVOCI because their cash flows do not meet the SPPI criterion. Related unrealized gains of \$0.9 were transferred from other comprehensive income to retained earnings at January 1, 2018.

#### Total impact on financial assets

On the date of initial application, financial assets of the Company were as follows, with any reclassifications noted:

	Measurement Category	
	2018	2017
<b>Current financial assets</b>		
Cash and cash deposits and cash in escrow	Amortized cost	FVPL
Receivables and other current financial assets	Amortized cost	Amortized cost
<b>Non-current financial assets</b>		
Investments held for self-insured liabilities (equity securities)	Mandatorily at FVPL	FVOCI
Investments held for self-insured liabilities (bonds)	FVOCI	FVOCI
Holdbacks on long-term contracts	Amortized cost	Amortized cost
Indemnifications	FVPL	FVPL
Other financial assets	Amortized cost	Amortized cost

The reclassifications of financial instruments on adoption of IFRS 9 did not result in any measurement changes.

### c) Other recent adoptions

The following amendments and interpretations have been adopted by the Company effective January 1, 2018. The adoption of these amendments did not have an impact on the financial position or performance of the Company.

- In June 2016, the IASB issued *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*. The amendments clarify how to account for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
- In December 2016, the IASB issued *Annual Improvements (2014-2016 Cycle)* to make necessary but non-urgent amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS 1), and IAS 28 *Investments in Associates and Joint Ventures* (IAS 28).
- In December 2016, the International Financial Reporting Interpretations Committee (IFRIC) issued an interpretation: IFRIC 22 *Foreign Currency Transactions and Advanced Consideration*. This interpretation clarifies that for non-monetary assets and non-monetary liabilities, the transaction date is the date used to determine the exchange rate on which a company initially recognizes a prepayment or deferred income arising from an advance consideration.

#### **d) Future adoptions**

Listed below are the standards, amendments, and interpretations that the Company reasonably expects to be applicable at a future date and intends to adopt when they become effective. The Company is currently considering the impact of adopting these standards, amendments, and interpretations on its consolidated financial statements and cannot reasonably estimate the effect at this time, unless specifically mentioned below.

##### **Leases**

In January 2016, the IASB issued IFRS 16 *Leases* (IFRS 16) which replaces IAS 17 *Leases* (IAS 17), IFRIC 4 *Determining whether an Arrangement contains a Lease* (IFRIC 4), SIC-15 *Operating Leases-Incentives*, and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (the lease liability) and an asset representing the right to use the underlying asset during the lease term (the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The mandatory effective date of IFRS 16 is January 1, 2019 and the standard may be adopted using a full retrospective or modified retrospective approach. The Company intends to elect the modified retrospective approach which will result in the cumulative effect of adoption being recognized as an adjustment to the opening retained earnings at January 1, 2019. The Company will elect to apply the standard to contracts that were previously identified as leases under IAS 17 and IFRIC 4. This election will exclude contracts not previously identified as containing a lease under IAS 17 and IFRIC 4. In addition, the Company will elect a practical expedient of using the exemptions on lease contracts with lease terms ending within 12 months as of the date of initial application and lease contracts when the underlying asset is of low value.

The Company established an IFRS 16 Implementation team and provides regular updates to the Audit and Risk Committee, including reports on the progress made on the project's detailed work plan. As part of the implementation project, the Company prepared a preliminary impact assessment of IFRS 16 and educated stakeholders. The Company is in the final process of amending lease policies and practices, updating internal controls, finalizing the completeness and accuracy of lease data, implementing a new lease accounting software, and quantifying the impact of IFRS 16 adoption as at January 1, 2019. The Company anticipates a material impact to the statement of financial position due to the recognition of the present value of unavoidable future lease payments as lease assets and lease liabilities, mainly related to real estate leases.

##### **Other future adoptions**

- In June 2017, IFRIC issued IFRIC 23 *Uncertainty over Income Tax Treatments*. This interpretation addresses how to reflect the effects of uncertainty in accounting for income tax. When there is uncertainty over income tax treatments under IAS 12 *Income Taxes*, IFRIC 23 is applied to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates. This interpretation is effective January 1, 2019, retrospectively, subject to certain exceptions.
- In October 2017, the IASB issued *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*. The amendments address concerns about how IFRS 9 classifies prepayable financial assets and clarifies accounting for financial liabilities following a modification. These amendments are effective on or after January 1, 2019, retrospectively, subject to certain exceptions, with earlier application permitted.

- In October 2017, the IASB issued *Long-term Interest in Associates and Joint Ventures (Amendments to IAS 28)*. The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that forms part of a net investment in the associate or joint venture but to which the equity method is not applied. These amendments are effective on or after January 1, 2019, retrospectively, subject to certain exceptions, with earlier application permitted.
- In December 2017, the IASB issued *Annual Improvements (2015-2017 Cycle)* to make necessary but non-urgent amendments to IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes*, and IAS 23 *Borrowing Costs*. These amendments are effective on or after January 1, 2019, with earlier application permitted.
- In February 2018, the IASB issued amendments to IAS 19 *Employee Benefits*, which requires entities to use updated actuarial assumptions to determine current service cost and net interest when plan amendments, curtailments, or settlements occur during an annual reporting period. The amendments are effective January 1, 2019, with earlier application permitted.
- In March 2018, the IASB issued the revised *Conceptual Framework for Financial Reporting*, which includes revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation, and disclosure. The amendments have an effective date of January 1, 2020, for companies that use the framework to develop accounting policies when no IFRS applies to a transaction.
- In October 2018, the IASB issued the revised *Definition of a Business (Amendments to IFRS 3)*. The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are effective for business combinations where the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.
- In October 2018, the IASB issued the *Definition of Material (Amendments to IAS 1 and IAS 8)*. The amendments clarify the definition of material to align the definition used in the Conceptual Framework and the IFRS standards. The amendments are effective for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

## **7. Business Acquisitions**

### **Acquisitions in 2017**

During 2017, the Company acquired all the shares and business of RNL Facilities Corporation (RNL) and acquired certain assets and liabilities of Inventrix Engineering, Inc. (Inventrix) and North State Resources, Inc. (NSR).

The preliminary fair values of the net assets recognized in the Company's consolidated financial statements were based on management's best estimates of the acquired identifiable assets and liabilities at the acquisition dates. During 2018, management finalized the fair value assessments of assets and liabilities acquired from RNL, Inventrix, and NSR. There were no material measurement period adjustments.

### **Acquisitions in 2018**

On March 23, 2018, the Company acquired all the shares and business of ESI Limited (ESI) for cash consideration and notes payable. ESI, based in Shrewsbury, England, enhances the Company's Consulting Services-Global group of cash generating units (CGUs) and has capabilities in groundwater, land, and sustainable development.

On March 30, 2018, the Company acquired certain assets and liabilities of Occam Engineers Inc. (OEI) for cash consideration and notes payable. OEI, based in Albuquerque, New Mexico, enhances the Company's Consulting Services-United States CGU, and provides expertise in civil engineering, public works, transportation, development engineering, planning and feasibility, program management, water resources, and value analysis.

On April 1, 2018, the Company acquired all the shares and business of Traffic Design Group Limited (TDG) for cash consideration and notes payable. TDG, a transportation planning and traffic engineering design firm based in Wellington, New Zealand, enhances the Company's Consulting Services-Global group of CGUs.

On May 18, 2018, the Company acquired all the shares and business of Norwest Corporation (NWC) for cash consideration and notes payable. NWC, based in Calgary, Alberta, enhances the Company's Consulting Services-Canada CGU, and provides expertise in geotechnical, geological, and mining fields.

On May 25, 2018, the Company acquired all the shares and business of Cegertec Experts Conseils Inc. (Cegertec) for cash consideration and notes payable. Cegertec, based in Chicoutimi, Quebec, enhances the Company's Consulting Services-Canada CGU, and provides expertise in engineering, project management, risk management, construction supervision, and structural inspections and inventory.

On September 7, 2018, the Company acquired all the partnership interests and business of Peter Brett Associates LLP and all the shares and business of PBA International Limited (collectively, PBA). PBA is a partnership practice of engineers, planners, scientists, and economists delivering projects in various sectors. PBA, based in Reading, England, enhances the Company's Consulting Services-Global group of CGUs.

On October 15, 2018, the Company acquired certain assets and liabilities of True Grit Engineering Limited (TGE) for cash consideration and notes payable. TGE, based in Thunder Bay, Ontario, enhances the Company's Consulting Services-Canada CGU, and has expertise in infrastructure engineering, project management and planning, and environmental services.

During 2018, management finalized the fair value assessments of assets and liabilities acquired from ESI, OEI, and TDG. As at February 28, 2019, management received vendor approval of the adjustments to the closing financial statements for PBA, NWC, and Cegertec. Management was also reviewing the vendors' closing financial statements for TGE. Once these financial statement reviews are complete and approvals are obtained, the valuation of acquired intangibles and goodwill will be finalized. No significant measurement period adjustments were recorded during the year ended December 31, 2018.

### Aggregate consideration for assets acquired and liabilities assumed

Details of the aggregate consideration transferred and the fair value of the identifiable assets and liabilities acquired at the date of acquisition are as follows:

For acquisitions completed in 2018	Note	Total \$
Cash consideration		88.0
Notes payable		55.6
<b>Consideration</b>		<b>143.6</b>
<b>Assets and liabilities acquired</b>		
Cash acquired		7.8
Non-cash working capital		
Trade receivables		34.7
Unbilled receivables		6.4
Accounts payable		(19.8)
Other non-cash working capital		(0.6)
Property and equipment	11	4.4
Intangible assets	13	33.0
Deferred tax assets	26	1.9
Net employee defined benefit liability	18	(16.5)
Provisions	17	(1.4)
Deferred tax liabilities	26	(2.6)
<b>Total identifiable net assets at fair value</b>		<b>47.3</b>
Goodwill arising on acquisitions	12	96.3
<b>Consideration</b>		<b>143.6</b>

Trade receivables and unbilled receivables assumed from acquired companies are recognized at fair value at the time of acquisition, and their fair value approximated their net carrying value.

Goodwill consists of the value of expected synergies arising from an acquisition, the expertise and reputation of the assembled workforce acquired, and the geographic location of the acquiree. Goodwill relating to acquisitions completed in 2018 added to our Consulting Services – Canada, Consulting Services – United States, and Consulting Services – Global cash generating units (CGUs). For acquisitions completed in 2018, \$3.6 of goodwill and intangible assets is deductible for income tax purposes.

The fair values of provisions are determined at the acquisition date. These liabilities relate to claims that are subject to legal arbitration and onerous contracts. For the acquisitions completed in 2018, the Company assumed \$0.8 in provisions for claims. At December 31, 2018, provisions for claims outstanding relating to all prior acquisitions were \$11.1, based on their expected probable outcome. Certain of these claims are indemnified by the acquiree (note 14).

For business combinations that occurred in 2018, gross revenue earned in 2018 since the acquired entities' acquisition dates is approximately \$86. The Company integrates the operations and systems of acquired entities shortly after the acquisition date; therefore, it is impracticable to disclose the acquiree's earnings in its consolidated financial statements since the acquisition date. It is also impracticable to disclose what the Company's gross revenue and profit from continuing operations would have been had the business combinations, that occurred in 2018, taken place at the beginning of the year.

In 2018, directly attributable acquisition-related costs of \$0.7 have been expensed and are included in administrative and marketing expenses. These costs consist primarily of legal, accounting, and financial advisory fees and costs directly related to acquisitions.

#### Consideration paid and outstanding

Details of the consideration paid in 2018 for current and past acquisitions are as follows:

	December 31 2018 \$
Cash consideration (net of cash acquired)	80.2
Payments on notes payable from previous acquisitions	42.0
<b>Total net cash paid</b>	<b>122.2</b>

Total notes payable and adjustments to these obligations are as follows:

	December 31 2018 \$
Balance, beginning of the year	58.8
Additions for acquisitions in the year	55.6
Other adjustments	(0.2)
Payments	(42.0)
Interest	0.9
Impact of foreign exchange	3.0
<b>Total notes payable</b>	<b>76.1</b>

## 8. Discontinued Operations and Disposition of Subsidiaries

### Construction Services - Discontinued Operations

Construction Services was acquired as part of the MWH acquisition in 2016 and was previously a reportable segment (note 34) and group of cash generating units (note 12). On November 2, 2018, the Company completed the sale of its Construction Services reportable segment, reported as discontinued operations in these consolidated financial statements for all periods presented as prescribed by IFRS 5. The Company assumed the defined benefit pension plan related to Construction Services and the obligations related to an ongoing UK-based waste-to-energy project. These items are included in the Company's discontinued operations.

The Company reviewed the carrying value of the Construction Services disposal group at September 30, 2018, and determined that the carrying value of the disposal group exceeded the estimated fair value less costs to sell indicating an impairment of assets. As a result, a goodwill impairment charge of \$53.0 was recognized in the third quarter of 2018 against the goodwill allocated to the Construction Services (note 12).

Construction Services was sold for gross proceeds of \$104.2 (US\$79.5), less estimated working capital adjustments and transaction costs, resulting in initial cash proceeds of \$28.8 (US\$22.0). In accordance with the Credit Facilities agreement (note 16), the Company used the net proceeds on sale, less taxes payable and certain transaction costs (all as defined in the relevant agreements), to repay a portion of its long-term debt. As at February 28, 2019, management and the purchaser have not completed their review of the closing financial statements. Any adjustments will be recognized in discontinued operations in 2019.

As a result of the sale, the Company recognized a net loss from the discontinued operations as follows:

	Notes	December 31 2018 \$	December 31 2017 \$
Revenue		884.4	1,111.4
Expenses		(953.8)	(1,111.4)
Impairment of goodwill	12	(53.0)	-
Loss from operating activities, before income taxes		(122.4)	-
Income taxes on operating activities		10.8	-
<b>Loss from operating activities, net of income taxes</b>		<b>(111.6)</b>	<b>-</b>
Gain on disposal of discontinued operations before income taxes		1.5	-
Income taxes on disposal of discontinued operations		(13.8)	-
<b>Loss on disposal of discontinued operations, net of income taxes</b>		<b>(12.3)</b>	<b>-</b>
<b>Net loss from discontinued operations</b>		<b>(123.9)</b>	<b>-</b>

### Innovyze, Inc. - Disposition of Subsidiaries

On May 5, 2017, the Company completed the sale of the shares of Innovyze, Inc. along with its subsidiaries Innovyze Pty Limited and Innovyze Limited (collectively, Innovyze). Innovyze was acquired as part of the MWH acquisition and formed part of the Company's Consulting Services – United States and Consulting Services – Global reportable segments.

As a result of the sale, the Company recognized the following gain on disposition in the consolidated statements of income for the year ended December 31, 2017.

	\$
Gross proceeds	369.1
Working capital adjustments	(15.3)
Transaction costs	(16.9)
<b>Net proceeds from sale, net of cash sold</b>	<b>336.9</b>
Net assets disposed	(268.5)
Cumulative exchange loss on translating foreign operations reclassified from equity	(13.8)
<b>Gain on disposal of a subsidiary</b>	<b>54.6</b>

In addition, current tax expense of \$124.1 and deferred taxes of \$29.5 were recognized in the consolidated statements of income.

In accordance with the Credit Facilities agreement (note 16), the Company used the net proceeds on sale, less taxes payable and certain transaction costs (all as defined in the relevant agreements), to repay its long-term debt by \$221.3.

### 9. Cash and Cash Equivalents

The Company's policy is to invest cash in excess of operating requirements in highly liquid investments. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of the following:

	December 31 2018 \$	December 31 2017 \$
Cash	176.5	234.7
Unrestricted investments	8.7	4.8
<b>Cash and cash equivalents</b>	<b>185.2</b>	<b>239.5</b>

Unrestricted investments consist of short-term bank deposits with initial maturities of three months or less.

At December 31, 2018, no funds were held in escrow accounts (2017 – \$7.9 (US\$6.2)). In 2017, these escrow funds covered potential indemnification claims from acquisitions and were settled in accordance with an escrow agreement.

### 10. Trade and Other Receivables

	December 31 2018 \$	December 31 2017 \$
Trade receivables, net of ECL of \$1.5 (2017 – \$2.1)	774.5	746.6
Holdbacks, current	18.7	43.8
Lease inducements receivable	44.0	-
Other	40.9	25.7
<b>Trade and other receivables</b>	<b>878.1</b>	<b>816.1</b>

The aging analysis of gross trade receivables is as follows:

	Total \$	1-30 \$	31-60 \$	61-90 \$	91-120 \$	121+ \$
<b>December 31, 2018</b>	<b>776.0</b>	<b>355.6</b>	<b>228.7</b>	<b>63.8</b>	<b>43.2</b>	<b>84.7</b>
December 31, 2017	748.7	403.1	182.4	53.9	29.1	80.2

Information about the Company's exposure to credit risks and impairment losses for trade and other receivables is included in note 24, and changes due to IFRS 9 are included in note 6.

## 11. Property and Equipment

	Engineering Equipment \$	Office Equipment \$	Leasehold Improvements \$	Other \$	Total \$
<b>Cost</b>					
December 31, 2016	131.9	82.0	166.9	34.0	414.8
Additions	21.2	6.8	29.4	4.7	62.1
Additions arising on acquisitions	0.2	0.1	0.5	-	0.8
Disposals	(33.4)	(24.9)	(16.4)	(3.8)	(78.5)
Transfers	0.1	(0.8)	0.2	0.5	-
Impact of foreign exchange	(3.3)	(1.6)	(5.1)	(1.5)	(11.5)
December 31, 2017	116.7	61.6	175.5	33.9	387.7
Additions	23.2	19.4	79.5	8.1	130.2
Additions arising on acquisitions	1.6	0.7	1.7	0.4	4.4
Disposals	(12.2)	(2.2)	(31.4)	(4.7)	(50.5)
Discontinued operations (note 8)	(11.5)	(0.4)	(1.7)	(2.0)	(15.6)
Transfers	(0.4)	(0.1)	(0.2)	0.7	-
Impact of foreign exchange	4.9	3.0	7.8	1.4	17.1
<b>December 31, 2018</b>	<b>122.3</b>	<b>82.0</b>	<b>231.2</b>	<b>37.8</b>	<b>473.3</b>
<b>Accumulated depreciation</b>					
December 31, 2016	73.1	45.6	64.9	17.3	200.9
Depreciation - continuing operations	16.3	7.5	26.7	1.7	52.2
Depreciation - discontinued operations	1.9	0.1	-	0.4	2.4
Disposals	(32.7)	(25.4)	(15.9)	(2.7)	(76.7)
Impact of foreign exchange	(1.2)	(0.2)	(1.6)	(0.7)	(3.7)
December 31, 2017	57.4	27.6	74.1	16.0	175.1
Depreciation - continuing operations	15.3	6.7	25.9	2.2	50.1
Depreciation - discontinued operations	1.5	-	0.2	0.3	2.0
Disposals	(10.6)	(1.9)	(31.1)	(1.9)	(45.5)
Discontinued operations (note 8)	(3.3)	(0.3)	(0.3)	(0.7)	(4.6)
Transfers	(0.4)	(0.1)	(0.2)	0.7	-
Impact of foreign exchange	2.3	1.2	2.9	0.4	6.8
<b>December 31, 2018</b>	<b>62.2</b>	<b>33.2</b>	<b>71.5</b>	<b>17.0</b>	<b>183.9</b>
<b>Net book value</b>					
December 31, 2017	59.3	34.0	101.4	17.9	212.6
<b>December 31, 2018</b>	<b>60.1</b>	<b>48.8</b>	<b>159.7</b>	<b>20.8</b>	<b>289.4</b>

Leasehold improvements includes construction work in progress of \$8.9 (2017 – \$3.5) on which depreciation has not started.

Included in the Other category is automotive equipment, buildings, land, financial assets, and an ownership interest in an aircraft.

## 12. Goodwill

	Note	December 31 2018 \$	December 31 2017 \$
Gross goodwill, beginning of the year		1,734.6	2,006.1
Acquisitions		96.3	16.3
Disposals	8	(120.2)	(194.4)
Impact of foreign exchange		88.5	(93.4)
<b>Gross goodwill, end of the year</b>		<b>1,799.2</b>	<b>1,734.6</b>
Accumulated impairment losses, beginning of the year		(178.0)	(178.0)
Impairment of goodwill	8	(53.0)	-
Disposals	8	53.0	-
Accumulated impairment losses, end of the year		(178.0)	(178.0)
<b>Net goodwill, end of the year</b>		<b>1,621.2</b>	<b>1,556.6</b>

Goodwill arising from acquisitions includes factors such as the expertise and reputation of the assembled workforce acquired, the geographic location of the acquiree, and the expected synergies.

CGUs are defined based on the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Other factors are considered, including how management monitors the entity's operations. Prior to the sale of Construction Services, the Company had seven CGUs. Three of these were grouped into Consulting Services – Global and two were grouped into Construction Services for the purposes of impairment testing. The Company does not monitor goodwill at or allocate goodwill to its business operating units.

On November 2, 2018, the Company completed the sale of its Construction Services business (note 8). In connection with the sale, the Company reviewed the carrying value of the Construction Services disposal group as at September 30, 2018. The carrying value of the disposal group exceeded the estimated fair value less cost to sell at that time. As a result, the Company recognized a goodwill impairment charge of \$53.0 in the quarter ended September 30, 2018. The fair value measurement of the Construction Services group of CGUs was categorized as Level 3 in the fair value hierarchy based on unobservable market inputs.

During 2017, the Company completed the sale of Innovyze (note 8). Innovyze's goodwill disposed of included \$106.3 allocated from Consulting Services – United States and \$88.1 allocated from Consulting Services – Global.

On October 1, 2018, and October 1, 2017, the Company performed its annual goodwill impairment test in accordance with its policy described in note 4. Based on the results of the 2018 and 2017 tests, the Company concluded that the recoverable amount of each CGU or group of CGUs approximated or exceeded its carrying amount and, therefore, goodwill was not impaired.

Goodwill was allocated to each CGU or group of CGUs as follows:

	December 31 2018 \$	December 31 2017 \$
Consulting Services		
Canada	358.2	337.8
United States	1,003.7	917.7
Global	259.3	183.2
Construction Services	-	117.9
<b>Allocated</b>	<b>1,621.2</b>	<b>1,556.6</b>

### Valuation techniques

When performing the goodwill impairment test, if the carrying amount of a CGU or group of CGUs is higher than its recoverable amount, an impairment charge is recorded as a reduction in the carrying amount of the goodwill on the consolidated statements of financial position and recognized as a non-cash impairment charge in income.

The Company estimates the recoverable amount by using the fair value less costs of disposal approach. It estimates fair value using market information and discounted after-tax cash flow projections, which is known as the income approach. The income approach uses a CGUs or group of CGUs projection of estimated operating results and discounted cash flows based on a discount rate that reflects current market conditions and the risk of achieving the cash flows. The Company uses cash flow projections covering a five-year period from financial forecasts approved by senior management. For its October 1, 2018, and October 1, 2017, impairment tests, the Company discounted the cash flows for each CGU or group of CGUs using an after-tax discount rate ranging from 9.3% to 17.0% (2017 – 8.9% to 15.1%). To arrive at cash flow projections, the Company used estimates of economic and market information over the projection period (note 5).

The Company validates its estimate of the fair value of each CGU or group of CGUs under the income approach by comparing the resulting multiples to multiples derived from comparable public companies and comparable company transactions. The Company reconciles the total fair value of all CGUs and groups of CGUs with its market capitalization to determine whether the sum is reasonable. If the reconciliation indicates a significant difference between the external market capitalization and the fair value of the CGUs or groups of CGUs, the Company reviews and adjusts, if appropriate, the discount rate of the CGUs or groups of CGUs and considers whether the implied acquisition premium (if any) is reasonable in light of current market conditions. The fair value measurement was categorized as level 3 in the fair value hierarchy based on the significant inputs in the valuation technique used (note 4h).

The Company may need to test its goodwill for impairment between its annual test dates if market and economic conditions deteriorate or if volatility in the financial markets causes declines in the Company's share price, increases the weighted average cost of capital, or changes valuation multiples or other inputs to its goodwill assessment. In addition, changes in the numerous variables associated with the judgments, assumptions, and estimates made by management in assessing the fair value could cause them to be impaired. Goodwill impairment charges are non-cash charges that could have a material adverse effect on the Company's consolidated financial statements but in themselves do not have any adverse effect on its liquidity, cash flows from operating activities, or debt covenants and will not have an impact on its future operations.

### Key assumptions

The calculation of fair value less costs of disposal is most sensitive to the following assumptions:

- Operating margin rates based on actual experience and management's long-term projections.
- Discount rates reflecting investors' expectations when discounting future cash flows to a present value, taking into consideration market rates of return, capital structure, company size, and industry risk. If necessary, a discount rate is further adjusted to reflect risks specific to a CGU or group of CGUs when future estimates of cash flows have not been adjusted.
- Terminal growth rates based on actual experience and market analysis. Projections are extrapolated beyond five years using a growth rate that does not exceed 3.0%.
- Non-cash working capital requirements are based on historical actual rates, market analysis, and management's long-term projections.
- Net revenue growth rate based on management's best estimates of cash flow projections over a five year period.

### Sensitivity to changes in assumptions

As at October 1, 2018, the recoverable amount of each CGU and group of CGUs exceeded its carrying amount. For Consulting Services – Canada and Consulting Services – United States, management believes that no reasonably possible change in any of the above key assumptions would have caused the carrying amount to exceed its recoverable amount.

For the Consulting Services – Global group of CGUs, as at the impairment testing date, the recoverable amount approximated the carrying amount. As a result, any adverse change in key assumptions could cause the carrying value to exceed the fair value less costs of disposal. The Consulting Services – Global group of CGUs had a moderated outlook in the pace of recoveries in the energy and mining sectors and in public sector spending in regions linked to these markets. These moderated outlooks were reflected in the Company's budget and projections.

The values assigned to the most sensitive key assumptions for the Consulting Services – Global group of CGUs are listed in the table below:

<b>Key Assumptions</b>	<b>Consulting Services – Global</b>
Operating margin rates	5.6% to 8.7%
After tax discount rate	11.2%
Terminal growth rate	3.0%
Non-cash working capital rates	20.3% to 20.5%
Average annual net revenue growth rate (2019-2023)	3.7%

Key assumptions for operating margin rates and non-cash working capital rates are calculated on net revenue.

### 13. Intangible Assets

	Client Relationships	Contract Backlog	Software	Other	Total	Total Lease Disadvantage (note 19)
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
December 31, 2016	399.0	55.5	97.6	38.4	590.5	(10.3)
Additions	-	-	5.7	-	5.7	-
Additions arising on acquisitions	3.2	2.7	-	0.2	6.1	-
Disposals - Innovyze	(78.1)	-	(19.1)	(6.1)	(103.3)	-
Disposals - other	-	-	(3.3)	-	(3.3)	-
Removal of fully amortized assets	(13.8)	(6.2)	(15.7)	(3.1)	(38.8)	2.5
Impact of foreign exchange	(20.8)	(4.1)	0.4	(1.9)	(26.4)	0.6
December 31, 2017	289.5	47.9	65.6	27.5	430.5	(7.2)
Additions	-	-	33.2	-	33.2	-
Additions arising on acquisitions	25.1	5.7	0.2	2.0	33.0	-
Discontinued operations (note 8)	(19.7)	-	(5.3)	(4.4)	(29.4)	-
Removal of fully amortized assets	(3.9)	(46.2)	(18.8)	(10.8)	(79.7)	3.1
Impact of foreign exchange	16.3	1.1	0.3	0.7	18.4	(0.3)
<b>December 31, 2018</b>	<b>307.3</b>	<b>8.5</b>	<b>75.2</b>	<b>15.0</b>	<b>406.0</b>	<b>(4.4)</b>
<b>Accumulated amortization</b>						
December 31, 2016	85.0	19.2	28.2	8.6	141.0	(5.5)
Amortization - continuing operations	28.2	22.3	16.4	7.9	74.8	(1.8)
Amortization - discontinued operations	2.0	4.1	0.8	0.4	7.3	(0.1)
Disposals - Innovyze	(7.2)	-	(1.1)	-	(8.3)	-
Disposals - other	-	-	(2.7)	-	(2.7)	-
Removal of fully amortized assets	(13.8)	(6.2)	(15.7)	(3.1)	(38.8)	2.5
Impact of foreign exchange	(3.8)	(1.8)	1.0	(0.6)	(5.2)	0.4
December 31, 2017	90.4	37.6	26.9	13.2	168.1	(4.5)
Amortization - continuing operations	26.9	9.9	25.7	3.6	66.1	(1.1)
Amortization - discontinued operations	1.8	1.4	0.7	1.8	5.7	(0.1)
Discontinued operations (note 8)	(4.9)	-	(1.9)	(2.4)	(9.2)	-
Removal of fully amortized assets	(3.9)	(46.2)	(18.8)	(10.8)	(79.7)	3.1
Impact of foreign exchange	5.9	0.9	0.1	0.4	7.3	(0.3)
<b>December 31, 2018</b>	<b>116.2</b>	<b>3.6</b>	<b>32.7</b>	<b>5.8</b>	<b>158.3</b>	<b>(2.9)</b>
<b>Net book value</b>						
December 31, 2017	199.1	10.3	38.7	14.3	262.4	(2.7)
<b>December 31, 2018</b>	<b>191.1</b>	<b>4.9</b>	<b>42.5</b>	<b>9.2</b>	<b>247.7</b>	<b>(1.5)</b>

Once an intangible asset is fully amortized, the gross carrying amount and related accumulated amortization are removed from the accounts. Software includes finance leases with a net book value of \$19.1 (2017 – \$16.5). The non-cash portion of additions was \$15.1 for 2018 (2017 – nil), and was excluded from the statement of cash flows.

In accordance with its accounting policies in note 4, the Company tests intangible assets for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. To determine indicators of impairment of intangible assets, the Company considers external sources of information such as

prevailing economic and market conditions and internal sources of information such as the historical and expected financial performance of the intangible assets. If indicators of impairment are present, the Company determines recoverability based on an estimate of discounted cash flows, using the higher of either the value in use or the fair value less costs of disposal method. The measurement of impairment loss is based on the amount that the carrying amount of an intangible asset exceeds its recoverable amount at the CGU level. As part of the impairment test, the Company updates its future cash flow assumptions and estimates, including factors such as current and future contracts with clients, margins, market conditions, and the useful lives of the assets. During 2018, the Company concluded that there were no indicators of impairment related to intangible assets.

#### 14. Other Assets

	December 31 2018 \$	December 31 2017 \$
Financial assets		
Investments held for self-insured liabilities	144.2	147.1
Holdbacks on long-term contracts	28.7	39.6
Indemnifications	0.8	2.4
Other	6.5	6.3
Other non-financial assets		
Investment tax credits	6.1	9.2
Transaction costs on long-term debt	3.6	4.9
Deferred contract costs	8.8	-
	198.7	209.5
Less current portion - financial	18.1	14.0
Less current portion - non-financial	5.1	-
Long-term portion	175.5	195.5

#### Investments held for self-insured liabilities

Investments held for self-insured liabilities include government and corporate bonds that are classified as FVOCI with unrealized gains (losses) recorded in other comprehensive income (loss). Investments also include equity securities that are classified at FVPL with gains (losses) recorded in net income.

Their fair value and amortized cost are as follows:

	December 31 2018 \$		December 31 2017 \$	
	Fair Value	Amortized Cost/Cost	Fair Value	Amortized Cost/Cost
Bonds	103.0	103.8	97.7	98.6
Equity securities	41.2	45.0	49.4	48.3
<b>Total</b>	<b>144.2</b>	<b>148.8</b>	<b>147.1</b>	<b>146.9</b>

The bonds bear interest at rates ranging from 0.75% to 5.15% per annum (2017 – 0.75% to 5.15%). The terms to maturity of the bond portfolio, stated at fair value, are as follows:

	December 31 2018 \$	December 31 2017 \$
Within one year	14.0	5.6
After one year but not more than five years	85.2	73.5
More than five years	3.8	18.6
<b>Total</b>	<b>103.0</b>	<b>97.7</b>

## Indemnifications

The Company's indemnifications relate to certain legal claims (note 17). During 2018, the Company decreased provisions and indemnification assets relating to prior acquisitions by \$1.8 (2017 – increased by \$0.2).

## 15. Trade and Other Payables

	December 31 2018 \$	December 31 2017 \$
Trade accounts payable	222.6	367.1
Employee and payroll liabilities	263.3	248.8
Accrued liabilities	81.3	88.7
<b>Trade and other payables</b>	<b>567.2</b>	<b>704.6</b>

## 16. Long-Term Debt

	December 31 2018 \$	December 31 2017 \$
Notes payable	76.8	60.8
Revolving credit facilities	528.6	209.9
Term loan	308.8	458.5
Finance lease obligations	19.5	10.4
	933.7	739.6
Less current portion	48.5	198.2
<b>Long-term portion</b>	<b>885.2</b>	<b>541.4</b>

### Notes payable

Notes payable consists primarily of notes payable for acquisitions (note 7). The weighted average rate of interest on the notes payable at December 31, 2018, was 3.16% (2017 – 3.46%). Notes payable may be supported by promissory notes and are due at various times from 2019 to 2021. The aggregate maturity value of the notes at December 31, 2018, was \$78.2 (2017 – \$61.9). At December 31, 2018, \$23.2 (US\$17.0) (2017 – \$57.4 (US\$45.7)) of the notes' carrying amount was payable in US funds and \$32.9 was payable in other foreign currencies.

### Revolving credit facilities and term loan

On June 27, 2018, the Company amended its syndicated senior credit facilities (Credit Facilities) which, subsequent to the amendment, consist of a senior revolving credit facility in the maximum amount of \$800.0 and senior term loans of \$310.0 in two tranches. The amendment changed certain terms and conditions, including making all the facilities unsecured and extending the maturity date of its revolving credit facility by five years and Tranches B and C of its term loans by four years and five years respectively. Additional funds can be accessed subject to approval and under the same terms and conditions. As a result of the amendment, access to these additional funds increased from \$200.0 to \$400.0. The amendment was accounted for as a debt modification and a gain of \$1.4 was recognized. The revolving credit facility expires on June 27, 2023. The revolving credit facility and the term loans may be repaid from time to time at the option of the Company. The facility is available for future acquisitions, working capital needs, and general corporate purposes. Tranches B and C of the term loan were drawn in Canadian funds of \$150.0 (due on June 27, 2022) and \$160.0 (due on June 27, 2023), respectively. Before the amendment, a third tranche (Tranche A) was drawn in Canadian funds for \$150.0 and repaid on May 6, 2018.

The Credit Facilities may be drawn in Canadian dollars as either a prime rate loan or a bankers' acceptance; in US dollars as either a US base rate or a LIBOR advance; or, in the case of the revolving credit facility, in sterling or euros as a LIBOR advance; and by way of letters of credit. Depending on the form under which the credit facilities are accessed, rates of interest vary between Canadian prime, US base rate, and LIBOR or bankers' acceptance rates, plus specified basis points. The specified basis points vary, depending on the Company's leverage ratio (a non-IFRS measure). The Credit Facilities contain restrictive covenants (note 25).

At December 31, 2018, \$13.6 (US\$10.0) of the revolving credit facility was payable in US funds and \$515.0 was payable in Canadian funds. At December 31, 2017, \$106.9 (US\$85.0) of the revolving credit facility was payable in US funds and \$103.0 was payable in Canadian funds. At December 31, 2018 and 2017, the entire term loan was payable in Canadian funds. The average interest rate applicable at December 31, 2018, for the Credit Facilities was 4.53% (2017 – 3.20%).

The funds available under the revolving credit facility are reduced by any outstanding letters of credit issued pursuant to the facility agreement. At December 31, 2018, the Company had issued outstanding letters of credit that expire at various dates before January 2020, are payable in various currencies, and total \$48.0 (2017 – \$51.8). These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations. At December 31, 2018, \$223.4 (2017 – \$538.3) was available in the revolving credit facility for future activities.

At December 31, 2018, \$23.8 (2017 – \$4.3) in additional letters of credit outside of the Company's revolving credit facility was issued and outstanding. These were issued in various currencies. Of these letters of credit, \$14.7 (2017 – \$4.3) expire at various dates before January 2020, and \$9.1 (2017 – nil) have open ended terms.

#### **Surety facilities**

As part of the normal course of operations, the Company has surety facilities, primarily related to Construction Services, to accommodate the issuance of bonds for certain types of project work. At December 31, 2018, the Company issued bonds under these surety facilities: \$3.5 (2017 – \$0.2) in Canadian funds, \$791.4 (US\$580.2) (2017 – \$587.1(US\$467.0)) in US funds, and \$4.7 (2017 – \$1.0) in other foreign currencies. These bonds expire at various dates before July 2024. In accordance with the sale agreement for Construction Services, the purchaser will make reasonable efforts to arrange for the Company's release from bonds related to construction services as soon as practicable. The purchaser has indemnified the Company for any obligations that may arise from these bonds.

#### **Finance lease obligations**

The Company has finance leases for software and for automotive and office equipment. At December 31, 2018, finance lease obligations included finance leases bearing interest at rates ranging from 1.40% to 5.25% (2017 – 1.4% to 5.25%). These finance leases expire at various dates before October 2021.

Future minimum lease payments under finance leases and the present value of the net minimum lease payments are as follows:

	December 31 2018 \$	December 31 2017 \$
Within one year	10.0	7.4
After one year but not more than five years	9.8	3.1
Total minimum lease payments	19.8	10.5
Less amounts representing finance charges	0.3	0.1
Present value of minimum lease payments	19.5	10.4

## 17. Provisions

	December 31, 2018				Total \$
	Provision for self- insured liabilities \$	Provision for claims \$	Onerous contracts \$	Expected project losses \$	
Provision, beginning of the year	72.5	18.9	4.8	-	96.2
Current year provisions	25.1	4.0	13.3	15.6	58.0
Acquisitions	-	0.8	0.6	-	1.4
Paid or otherwise settled	(24.9)	(9.8)	(5.8)	-	(40.5)
Impact of foreign exchange	4.3	0.9	0.3	-	5.5
	77.0	14.8	13.2	15.6	120.6
Less current portion	3.8	11.3	11.7	15.6	42.4
Long-term portion	73.2	3.5	1.5	-	78.2

	December 31, 2017				Total \$
	Provision for self- insured liabilities \$	Provision for claims \$	Onerous contracts \$		
Provision, beginning of the year	69.4	25.2	10.8		105.4
Current year provisions	23.9	2.3	0.7		26.9
Acquisitions	-	0.2	-		0.2
Paid or otherwise settled	(17.5)	(6.8)	(6.4)		(30.7)
Impact of foreign exchange	(3.3)	(2.0)	(0.3)		(5.6)
	72.5	18.9	4.8		96.2
Less current portion	6.6	18.8	2.7		28.1
Long-term portion	65.9	0.1	2.1		68.1

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 its 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, the Company may be subject to claims for which it is only partly insured or completely insured.

Damages assessed in connection with and the cost of defending such actions could be substantial and possibly in excess of policy limits, for which a range of possible outcomes are either not able to be estimated or not expected to be significant. However, based on advice and information provided by legal counsel, the Company's previous experience with the settlement of similar claims, and the results of the annual actuarial review, management believes that the Company has recognized adequate provisions for probable and reasonably estimated liabilities associated with these claims. In addition, management believes that it has appropriate insurance in place to respond to and offset the cost of resolving these claims.

Due to uncertainties in the nature of the Company's legal claims, such as the range of possible outcomes and the progress of the litigation, provisions accrued involve estimates. The ultimate cost to resolve these claims may exceed or be less than that recorded in the consolidated financial statements. Management believes that the ultimate cost to resolve these claims will not materially exceed the insurance coverage or provisions accrued and, therefore, would not have a material adverse effect on the Company's consolidated statements of income and financial position.

Management regularly reviews the timing of the outflows of these provisions. Cash outflows for existing provisions are expected to occur within the next one to five years, although this is uncertain and depends on the development of the various claims. These outflows are not expected to have a material impact on the Company's net cash flows.

Provision for self-insured liabilities is determined based on an actuarial estimate.

Provision for claims include an estimate for costs associated with legal claims covered by third-party insurance. Often, these legal claims are from previous acquisitions and may be indemnified by the acquiree (notes 7 and 14).

Onerous contracts consist of lease exit liabilities and sublease losses. Payments for these onerous contracts will occur until 2024. The Company recorded a lease exit expense in relation to its corporate office move of approximately \$12.8 in the fourth quarter of 2018.

## 18. Employee Defined Benefit Obligations

	December 31 2018 \$	December 31 2017 \$
Net defined benefit pension asset	(10.0)	(12.7)
Net defined benefit pension liability	55.5	31.2
End of employment benefit plans	13.1	13.6
	68.6	44.8

### Defined benefit pension plans

The Company sponsors defined benefit pension plans (the Plans) covering certain full-time and past employees, primarily in the United Kingdom. The benefits for the Plans are based on final compensation and years of service. The Plans are closed to new participants and have ceased all future service benefits, although the future salary link has been retained for certain continuing active members.

The Plans are governed by the laws of the United Kingdom. Each pension plan has a board of trustees—consisting of four employer-appointed trustees and member-nominated trustees—that is responsible for administering the assets and defining the investment policies of the Plans.

The funding objective of each pension plan is to have sufficient and appropriate assets to meet actuarial liabilities. The board of trustees reviews the level of funding required based on separate triennial actuarial valuations for funding purposes; the most recent were completed as at March 31, 2017 and February 1, 2016. The Plans required that contributions be made to separately administered funds, which are maintained independently by custodians. The Company expects to contribute \$23.3 to the Plans in 2019.

The Plans expose the Company to a number of risks, including changes to long-term UK interest rates and inflation expectations, movements in global investment markets, changes in life expectancy rates, foreign exchange risk, and regulatory risk from changes in UK pension legislation. The Company is also exposed to price risk because the Plans' assets include significant investments in equities.



The Company has an unconditional right to derive economic benefit from the above surplus and has therefore recognized a net defined benefit asset.

	Note	December 31 2018 \$	December 31 2017 \$
Included in the statement of income as:			
Continuing operations - administrative and marketing expenses		6.6	1.5
Discontinued operations	8	6.2	1.0
		<b>12.8</b>	<b>2.5</b>

On October 26, 2018, the United Kingdom high court issued a ruling that resulted in an amendment to the Plans to equalize guaranteed minimum pension benefits between genders and increased the Company's defined benefit obligation by \$10.5. Corresponding past service costs were recognized in the consolidated statements of income of which \$4.7 was recognized in continuing operations and \$5.8 in discontinued operations.

Major categories of plan assets, measured at fair value, are as follows:

	December 31 2018 \$	December 31 2017 \$
Cash and cash equivalents	3.3	2.9
Investments quoted in active markets (mutual, exchange-traded, and pooled funds):		
Equities	138.1	110.1
Corporate bonds and fixed income	57.5	45.0
Pooled fund liability-driven investments	15.5	-
Property funds	10.6	6.6
Unquoted investments:		
Annuity policies	110.8	102.9
Insurance contract:		
Equities and property	80.2	69.5
Corporate bonds	19.2	22.7
Cash and cash equivalents	13.6	19.5
<b>Fair value of the plan assets</b>	<b>448.8</b>	<b>379.2</b>

The investment policy for the Plans is to balance risk and return. Approximately 50% of plan assets are invested in mutual, exchange-traded, and pooled funds (fair valued using quoted market prices) or held in cash. Approximately 25% of plan assets are held in annuity policies that are purchased for certain plan members upon retirement. The fair value of these policies reflects the value of the obligation for these retired plan members and is determined using actuarial techniques and guaranteed annuity rates. The remaining assets of the Plans are invested in a wholly insured with-profits insurance contract with a major insurance company. Contributions made to this contract are invested in insurance policies administered by third parties, which provide for a declared rate of interest. The yields on the investments are intended to provide for a steady return on the assets, that is not wholly dependent on stock market fluctuations, to reflect the long-term performance of the investment. The insurance contract is fair valued using valuation techniques with market observable inputs.

The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using actuarial valuations. The principal assumptions used in determining pension benefit obligations for the Plans are shown below (expressed as weighted averages):

	December 31 2018	December 31 2017
Discount rate	2.77%	2.47%
Rate of increase in salaries	4.47%	3.51%
Rate of inflation, pre-retirement	2.55%	2.40%
Rate of increase in future pensions payment	3.51%	3.53%
Life expectancy at age 65 for current pensioners:		
Male	22 years	22 years
Female	24 years	24 years
Life expectancy at age 65 for current members aged 40 or 45:		
Male	23 years	23 years
Female	25 years	26 years

At December 31, 2018, the weighted average duration of the defined benefit obligation was 16 years (2017 – 15 years).

Quantitative sensitivity analyses showing the impact on the defined benefit obligation for significant assumptions are as follows:

	December 31 2018		December 31 2017	
	Increase \$	Decrease \$	Increase \$	Decrease \$
Change in discount rate by 0.25%	(15.6)	17.0	(11.2)	11.8
Change in pre-retirement inflation rate by 0.25%	5.0	(4.8)	3.9	(3.8)
Change in salary growth by 0.25%	0.9	(0.8)	0.5	(0.5)
Change in pension increase assumption by 0.25%	8.4	(8.1)	6.4	(6.1)
Increase of one year in the life expectancy	9.4	n/a	6.0	n/a

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year. The sensitivity analyses were based on changing a significant assumption and keeping all other assumptions constant and may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

#### End of employment benefit plans

The liability for end of employment benefit plans represents the Company's estimated obligations for long service leave and annual leave that is legislated in some countries in which the Company operates.

## 19. Other Liabilities

	Note	December 31 2018 \$	December 31 2017 \$
Lease inducement benefits		111.2	57.2
Deferred share units payable	22	9.0	15.5
Other cash-settled share-based compensation	22	3.8	7.0
Liability for uncertain tax positions		35.0	31.3
Other		4.6	16.3
		<b>163.6</b>	127.3
Less current portion		<b>23.2</b>	26.2
Long-term portion		<b>140.4</b>	101.1

## 20. Commitments

The Company has various operating lease commitments, including commitments for annual basic premises rent under long-term leases and equipment and vehicle operating leases. The Company also has purchase obligations for cloud services, software support, and equipment. Depending on the agreement, the Company may enter into renewal options or escalation clauses.

The Company's commitments including future minimum lease payments payable under noncancellable operating leases as at December 31, 2018, are as follows:

	\$
Within one year	252.3
After one year but not more than five years	638.5
More than five years	400.0
Total commitments	1,290.8
Variable payments and non-lease elements	(320.3)
Purchase obligations	(68.0)
Total minimum lease payments	902.5

The premises rental expense for the year ended December 31, 2018, was \$181.7 (2017 – \$178.1).

Sublease rental income for the year ended December 31, 2018, was \$7.2 (2017 – \$7.4). Future minimum sublease payments expected to be received under noncancellable sublease agreements as at December 31, 2018, are \$19.2 (2017 – \$16.8).

## 21. Contingencies and Guarantees

The nature of the Company's legal claims and the provisions recorded for these claims are described in note 17. Although the Company accrues adequate provisions for probable legal claims, it has contingent liabilities relating to reported legal incidents that, based on current known facts, are not probable to result in future cash outflows. The Company is monitoring these incidents and will accrue no provision until further information results in a situation in which the criteria required to record a provision is met. Due to the nature of these incidents, such as the range of possible outcomes and the possibility of litigation, it is not practicable for management to estimate the financial effects of these incidents, the amount and timing of future outflows, and the possibility of any reimbursement of these outflows.

In the normal course of business, the Company provides indemnifications and, in limited circumstances, surety bonds and guarantees. These are often standard contractual terms and are provided to counterparties in transactions such as purchase and sale contracts for assets or shares, service agreements, and leasing transactions. The Company also indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. These

indemnifications may require the Company to compensate the counterparty for costs incurred as a result of various events, including changes to or in the interpretation of laws and regulations, or as a result of damages or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnifications and guarantees will vary based on 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. In most cases, the potential payment amount of an outstanding indemnification or guarantee is limited to the remaining cost of work to be performed under service contracts. The Company carries liability insurance, subject to certain deductibles and policy limits, that provides protection against certain insurable indemnifications. Historically, the Company has not made any material payments under such indemnifications or guarantees, and no amounts have been accrued in the consolidated financial statements with respect to these indemnifications and guarantees.

## 22. 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

The Company had a Normal Course Issuer Bid (NCIB) enabling it to purchase up to 2,278,747 common shares during the period November 14, 2017, to November 13, 2018. On November 11, 2018, the Company renewed its NCIB, enabling it to purchase up to 2,273,879 common shares during the period November 14, 2018, to November 13, 2019. In addition, the Company entered into an Automatic Share Purchase Plan (ASPP) with a broker that allows the purchase of common shares for cancellation under the NCIB at any time during predetermined trading blackout periods. Such purchases are determined by the broker in its sole discretion based on parameters established by the Company under the ASPP. As at December 31, 2018, no liability was recorded in the Company's consolidated statements of financial position in connection with the ASPP.

During 2018, 2,470,560 (2017 – 465,713) common shares were repurchased for cancellation pursuant to the NCIB at a cost of \$76.7 (2017 – \$14.4). Of this amount, \$19.1 (2017 – \$3.6), and \$0.5 (2017 – nil) reduced the share capital and contributed surplus, and \$57.1 (2017 – \$10.8) was charged to retained earnings.

During 2018, the Company recognized a share-based compensation expense of \$5.3 (2017 – \$9.5) in administrative and marketing expenses in the consolidated statements of income. Of the amount expensed, \$5.6 (2017 – \$4.9) related to the amortization of the fair value of options granted and was decreased by \$0.3 (2017 – \$4.6) related to the cash-settled share-based compensation (DSUs and PSUs).

The fair value of the amortized portion of the options granted was reflected through contributed surplus, and the cash-settled share-based compensation was reflected through other liabilities. Upon the exercise of share options for which a share-based compensation expense has been recognized, the cash paid, together with the related portion of contributed surplus, is credited to share capital.

### Dividends

Holders of common shares are entitled to receive dividends when declared by the Company's board of directors. The table below describes the dividends declared and recorded in the consolidated financial statements in 2018.

Date Declared	Record Date	Payment Date	Dividend per Share \$	Paid \$
February 21, 2018	March 29, 2018	April 12, 2018	0.1375	15.7
May 9, 2018	June 29, 2018	July 12, 2018	0.1375	15.6
August 7, 2018	September 28, 2018	October 11, 2018	0.1375	15.7
November 7, 2018	December 28, 2018	January 10, 2019	0.1375	-

At December 31, 2018, trade and other payables included \$15.4 (2017 – \$14.3) related to the dividends declared on November 7, 2018.

### Share-based payment transactions

The Company has a long-term incentive program that uses share options and PSUs. The Company also has a DSU plan for the board of directors.

#### a) Share options

The Company has granted share options to officers and employees to purchase 4,987,542 shares at prices from \$14.88 to \$32.98 per share. These options expire on dates between February 28, 2019, and May 15, 2023.

	For the year ended December 31 2018		For the year ended December 31 2017	
	Shares #	Weighted Average Exercise Price	Shares #	Weighted Average Exercise Price
		per Share \$		per Share \$
Share options, beginning of the year	4,426,237	29.84	3,655,020	28.33
Granted	1,112,779	32.98	1,229,689	31.75
Exercised	(338,989)	20.40	(376,160)	21.09
Forfeited	(212,485)	31.49	(82,312)	31.57
<b>Share options, end of the year</b>	<b>4,987,542</b>	<b>31.11</b>	<b>4,426,237</b>	<b>29.84</b>

The options held by officers and employees at December 31, 2018, were as follows:

Options Outstanding				Options Exercisable		
Range of Exercise Prices per Share \$	Outstanding #	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price per Share \$	Shares Exercisable #	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price per Share \$
14.88	142,540	0.16	14.88	142,540	0.16	14.88
20.88	364,526	1.16	20.88	364,526	1.16	20.88
31.75 – 32.98	4,480,476	3.21	32.46	2,401,323	2.75	32.40
<b>14.88 – 32.98</b>	<b>4,987,542</b>	<b>2.98</b>	<b>31.11</b>	<b>2,908,389</b>	<b>2.43</b>	<b>30.10</b>

The fair value of options granted is determined at the date of grant using the Black-Scholes option-pricing model. The model was developed to use when estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including expected share price volatility and expected hold period to exercise.

In 2018, the Company granted 1,112,779 (2017 – 1,229,689) share options. The estimated fair value of options granted at the share market price on the grant date was \$5.73 per share (2017 – \$5.03) and was determined using the weighted average assumptions indicated below:

	2018	2017
Volatility in the price of the Company's shares (%)	24.12	24.13
Risk-free interest rate (%)	2.10	0.81
Expected hold period to exercise (years)	3.50	3.50
Dividend yield (%)	1.668	1.575
Exercise price (\$)	32.98	31.75

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

A summary of the status of the Company's non-vested options as at December 31, 2018, and of changes in the year are as follows:

	Number of Shares Subject to Option #	Weighted Average Grant Date Fair Value per Share \$
Non-vested share options, beginning of the year	2,139,320	5.28
Granted	1,112,779	5.73
Vested	(1,000,441)	5.24
Forfeited	(172,505)	5.40
<b>Non-vested share options, end of the year</b>	<b>2,079,153</b>	<b>5.53</b>

At December 31, 2018, a total compensation cost of \$5.2 (2017 – \$4.8) relating to the Company's share option plans remained unrecognized. This cost is expected to be recognized over a weighted average period of 1.06 years (2017 – 1.06 years).

#### b) Performance share units

Under the Company's long-term incentive program, certain members of the senior leadership team may be granted PSUs. These units are adjusted for dividends as they arise, based on the number of units held on the record date. PSUs vest upon completing a three-year service condition that starts on the grant date. The number of units that vest is subject to a percentage that can range from 0% to 200%, depending on achieving two equally weighted three-year performance objectives based on net income growth and return on equity. For units that vest, unit holders receive a cash payment based on the closing price of the Company's common shares on the third anniversary date of issue. For PSUs issued in 2018 onward, the cash payment is based on the weighted-by-volume average of the closing market price of the Company's common shares for the last five trading days preceding the anniversary date of issue. The fair value of these units is expensed over their three-year vesting period.

During 2018, 193,385 PSUs were paid at a value of \$3.2 and 280,884 PSUs were issued (2017 – 284,777). Also, 29,668 PSUs were forfeited (2017 – 19,617). At December 31, 2018, 744,081 PSUs were outstanding at a fair value of \$6.0 (2017 – 686,250 PSUs were outstanding at a fair value of \$14.3).

#### c) Deferred share units

The directors of the board receive DSUs and annually elect to receive an additional fixed value compensation in the form of either DSUs or cash payment, less withholding amounts, to purchase common shares. A DSU is equal to one common share. These units vest on their grant date and are paid in cash to the directors of the board on their death or retirement. They are valued at the weighted-by-volume average of the closing market price of the Company's common shares for the last 10 trading days of the month of death or retirement. These units are recorded at fair value. DSUs are adjusted for dividends as they arise, based on the number of units outstanding on the record date.

During 2018, 46,356 DSUs (2017 – 38,625) were issued and 178,866 DSUs (2017 – 66,021) were paid at a value of \$6.2 (2017 – \$2.1). At December 31, 2018, 306,459 DSUs were outstanding at a fair value of \$9.0 (2017 – 438,969 DSUs were outstanding at a fair value of \$15.5).

### 23. Fair Value Measurements

When determining fair value, the Company considers the principal or most advantageous market in which it would transact and the assumptions that market participants would use when pricing the asset or liability. The Company

measures certain financial assets at fair value on a recurring basis. During 2018, no change was made to the method of determining fair value.

For financial instruments recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorizations at the end of each reporting period. During 2018, no transfers were made between levels 1 and 2 of the fair value measurements.

The following table summarizes the Company's fair value hierarchy (note 4h) for those assets and liabilities measured and adjusted to fair value on a recurring basis at December 31, 2018:

		Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Note	Carrying Amount \$	\$	\$	\$
Investments held for self-insured liabilities	14	144.2	-	144.2

Investments held for self-insured liabilities consist of government and corporate bonds, and equity securities. Fair value of equities is determined using the reported net asset value per share of the investment funds. The funds derive their value from the observable quoted prices of the equities owned that are traded in an active market. Fair value of bonds is determined using observable prices of debt with characteristics and maturities that are similar to the bonds being valued.

The following table summarizes the Company's fair value hierarchy for those liabilities that were not measured at fair value but are required to be disclosed at fair value on a recurring basis as at December 31, 2018:

		Quoted Prices in Fair Value Amount of Liability	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Note	\$	\$	\$	\$	
Notes payable	16	76.9	-	76.9	

The fair value of notes payable is determined by calculating the present value of future payments using observable benchmark interest rates and credit spreads for debt with similar characteristics and maturities.

## 24. Financial Instruments

### Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligation. Assets that subject the Company to credit risk consist primarily of cash and cash equivalents, cash in escrow, trade and other receivables, unbilled receivables, contract assets, investments held for self-insured liabilities, holdbacks on long-term contracts, and indemnifications.

The Company's maximum amount of credit risk exposure is limited to the carrying amount of these assets, which, at December 31, 2018, was \$1,681.3 (2017 – \$1,667.4).

The Company limits its exposure to credit risk by placing its cash and cash equivalents in high-quality credit institutions. Investments held for self-insured liabilities include corporate bonds, equity securities, and term deposits. The Company believes the risk associated with corporate bonds, equity securities, and term deposits is mitigated by the overall quality and mix of the Company's investment portfolio.

The Company mitigates the risk associated with trade and other receivables, unbilled receivables, contract assets, and holdbacks on long-term contracts by providing services to diverse clients in various industries and sectors of the economy. The Company does not concentrate its credit risk in any particular client, industry, or economic or

geographic sector. In addition, management reviews trade and other receivables past due on an ongoing basis to identify matters that could potentially delay the collection of funds at an early stage. The Company monitors trade receivables to an internal target of days of revenue in trade receivables, which, at December 31, 2018, was 66 days (2017 – 55 days).

The Company applies the simplified approach to trade and other receivables, unbilled receivables, contract assets, and holdbacks and recognizes a loss allowance provision based on lifetime expected credit losses (ECLs). The loss allowance provision is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate.

	Total	1-30	31-60	61-90	91-120	121+
	\$	\$	\$	\$	\$	\$
Expected loss rate		0.07%	0.10%	0.22%	0.43%	0.75%
Gross carrying amount	1,356.9	936.5	228.7	63.8	43.2	84.7
<b>Loss allowance provision, end of the year</b>	<b>1.9</b>	<b>0.7</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>0.7</b>

During 2018, \$0.8 of trade receivables were written off and the Company had no recoveries from the collection of cash flows previously written off.

Bonds carried at FVOCI are considered to be low risk; therefore, the impairment provision is determined to be the 12-month ECL. To the extent that the credit risk for any instruments significantly increases since initial acquisition, the impairment provision is determined using the lifetime ECL.

Substantially all bonds held by the Company are investment grade, and none are past due. The Company monitors changes in credit risk by tracking published external credit ratings. At December 31, 2018, the ECL on trade and other receivables was \$1.5 and \$0.4 related to unbilled receivables, contract assets, and holdbacks.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet obligations associated with its financial liabilities as they fall due. The Company meets its liquidity needs through various sources, including cash generated from operations, long- and short-term borrowings from its \$800.0 revolving credit facility and term loan, and the issuance of common shares. The unused capacity of the revolving credit facility at December 31, 2018, was \$223.4 (2017 – \$538.3). The Company believes that it has sufficient resources to meet obligations associated with its financial liabilities. Liquidity risk is managed according to the Company's internal guideline of maintaining a net debt to EBITDA ratio of less than 2.5 (defined in note 25).

The timing of undiscounted cash outflows relating to financial liabilities is outlined in the table below:

	Total	Less than 1 Year	1 to 3 Years	After 3 Years
	\$	\$	\$	\$
<b>December 31, 2018</b>				
Trade and other payables	567.2	567.2	-	-
Long-term debt	935.4	49.1	196.7	689.6
Other financial liabilities	3.1	1.1	0.3	1.7
<b>Total contractual obligations</b>	<b>1,505.7</b>	<b>617.4</b>	<b>197.0</b>	<b>691.3</b>
<b>December 31, 2017</b>				
Trade and other payables	704.6	704.6	-	-
Long-term debt	740.8	198.4	541.4	1.0
Other financial liabilities	10.9	1.8	7.5	1.6
<b>Total contractual obligations</b>	<b>1,456.3</b>	<b>904.8</b>	<b>548.9</b>	<b>2.6</b>

In addition to the financial liabilities listed in the table, the Company will pay interest on the revolving credit facility and the term loan outstanding in future periods. Further information on long-term debt is included in note 16.

#### **Interest rate risk**

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate cash flow risk to the extent that its revolving credit facility and term loan are based on floating interest rates. The Company is also subject to interest rate pricing risk to the extent that its investments held for self-insured liabilities include fixed-rate government and corporate bonds and term deposits.

If the interest rate on the Company's revolving credit facility and term loan balances at December 31, 2018, was 0.5% higher, with all other variables held constant, net income would decrease by \$3.2. If it was 0.5% lower, an equal and opposite impact on net income would occur.

#### **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 net income arise on the translation of foreign currency-denominated assets and liabilities (such as trade and other receivables, trade and other payables, and long-term debt) held in the Company's Canadian operations and foreign subsidiaries. The Company minimizes its exposure to foreign exchange fluctuations on these items by matching foreign currency assets with foreign currency liabilities.

Foreign exchange fluctuations may also arise on the translation of the Company's US-based subsidiaries or other foreign subsidiaries, where the functional currency is different from the Canadian dollar, and are recorded in other comprehensive income (loss). The Company does not hedge for this foreign exchange risk.

#### **Price risk**

The Company's investments held for self-insured liabilities are exposed to price risk arising from changes in the market values of the equity securities. This risk is mitigated because the portfolio of equity funds is monitored regularly and appropriately diversified.

A 1.0% increase in equity prices at December 31, 2018, would increase the Company's income by \$0.3. A 1.0% decrease would have an equal and opposite impact on income.

### **25. Capital Management**

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

The Company manages its capital structure to maintain the flexibility to adjust to changes in economic conditions and acquisition growth and to respond to interest rate, foreign exchange, credit, and other risks. To maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to NCIBs, issue new shares, or raise or retire debt.

The Company periodically monitors capital by maintaining a net debt to EBITDA ratio below 2.5. This target is established annually and monitored quarterly and is the same as in 2017.

Net debt to EBITDA ratio, a non-IFRS measure, is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash and cash equivalents and cash in escrow, divided by (2) EBITDA, calculated as income before income taxes, net interest expense, amortization of intangible assets, depreciation of property and equipment, and goodwill and intangible asset impairment. The Company's net debt to EBITDA ratio at

December 31, 2018, was 2.42 (2017 – 1.16), calculated on a trailing four-quarter basis. 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.

The Company is subject to restrictive covenants related to its Credit Facilities (measured quarterly). These covenants include but are not limited to a leverage ratio and an interest coverage ratio (non-IFRS measures). The leverage ratio is calculated as consolidated debt to EBITDA, and the interest coverage ratio is calculated as EBITDA to interest expense. 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 the covenants under these agreements as at and throughout the year ended December 31, 2018.

## 26. Income Taxes

The effective income tax rate for continuing operations in the consolidated statements of income differs from statutory Canadian tax rates as a result of the following:

	For the year ended December 31	
	2018 %	2017 %
Income tax expense at statutory Canadian rates	27.1	27.0
Increase (decrease) resulting from:		
Transition tax related to US tax reform	(4.4)	11.8
Rate differential on foreign income	(3.1)	4.0
Research and development and other tax credits	(0.7)	(2.7)
Unrecognized tax losses and temporary differences	2.0	(0.5)
Adjustments in respect of prior years and other	2.6	0.4
Non-deductible expenses and non-taxable income	0.8	(3.5)
Reorganization of corporate structure	-	1.2
Disposition of a subsidiary	-	30.3
Statutory rate change on deferred tax balances	-	(4.8)
	<b>24.3</b>	<b>63.2</b>

Major components of current income tax expense from continuing operations are as follows:

	For the year ended December 31	
	2018 \$	2017 \$
Ongoing operations	64.5	34.4
Transition tax related to US tax reform	(10.0)	31.2
Disposition of subsidiary	-	124.1
Reorganization of corporate structure	-	3.2
<b>Total current income tax expense</b>	<b>54.5</b>	<b>192.9</b>

Major components of deferred income tax expense (recovery) from continuing operations are as follows:

	For the year ended December 31	
	2018	2017
	\$	\$
Unrecognized tax losses and temporary differences	2.7	0.4
Origination and reversal of timing differences	(1.9)	16.3
Recovery arising from previously unrecognized tax assets	(0.2)	(1.6)
Change of tax rates	(0.1)	0.6
Revaluation due to US tax reform	-	(12.6)
Disposition of a subsidiary	-	(29.5)
<b>Total deferred income tax expense (recovery)</b>	<b>0.5</b>	<b>(26.4)</b>

Significant components of net deferred income tax assets (liabilities) are as follows:

	December 31 2018	December 31 2017
	\$	\$
<b>Deferred income tax assets (liabilities)</b>		
Carrying value of intangible assets in excess of tax cost	(86.1)	(78.8)
Carrying value of property and equipment in excess of tax cost	(7.3)	(3.6)
Cash to accrual adjustment on acquisition of US subsidiaries	(1.2)	(2.5)
Differences in timing of taxability of revenue and deductibility of expenses	33.4	36.1
Loss and tax credit carryforwards	16.7	9.6
Employee defined benefit plan	7.7	3.3
Other	3.7	4.5
	<b>(33.1)</b>	<b>(31.4)</b>

The following is a reconciliation of net deferred tax assets (liabilities):

	December 31 2018	December 31 2017
	\$	\$
Balance, beginning of the year	(31.4)	(53.4)
Discontinued operations	(8.6)	-
Impact of foreign exchange	(2.3)	1.8
Adoption of IFRS 15 and IFRS 9	6.7	-
Tax effect on other comprehensive income	2.0	(2.4)
Tax recovery during the year recognized in net income	1.3	26.4
Deferred taxes acquired through business combinations	(0.7)	(0.8)
Other	(0.1)	(3.0)
<b>Balance, end of the year</b>	<b>(33.1)</b>	<b>(31.4)</b>

At December 31, 2018, all loss carryforwards and deductible temporary differences available to reduce the taxable income of Canadian, US, and foreign subsidiaries were recognized in the consolidated financial statements, except as noted below:

	<b>December 31 2018 \$</b>	December 31 2017 \$
Deductible temporary differences	<b>13.0</b>	12.8
Non-capital tax losses:		
Expire (2019 to 2038)	<b>27.4</b>	16.3
Never expire	<b>73.4</b>	72.2
	<b>100.8</b>	88.5
Capital tax losses:		
Never expire	<b>9.3</b>	5.5
	<b>123.1</b>	106.8

*United States tax reform*

The United States enacted tax reform legislation through the Tax Cuts and Jobs Act (the Tax Act). In response to the US tax reform, at December 31, 2017, the Company recorded a \$31.2 one-time transition tax on deemed mandatory repatriation of earnings and realized a recovery of \$12.6 on remeasurement of deferred tax assets and liabilities using the substantively enacted federal tax rate of 21.0%.

On August 1, 2018, the U.S. Treasury Department and Internal Revenue Service (IRS) released proposed regulations under Section 965. These regulations provided guidance relating to the one-time transition tax due upon the mandatory repatriation of certain deferred foreign earnings. Based on the proposed regulations, certain tax elections filed after November 2, 2017, were deemed to be disregarded in calculating the transition tax. As such, based on the calculation methods prescribed under the proposed regulations, a tax recovery of \$10.0 was recognized on the federal portion of the transition tax. The Company will continue to monitor for new interpretation and guidance issued by the U.S. Treasury Department, the IRS, and state taxing authorities.

Although the Company is subject to the 21.0% federal tax rate, effective January 1, 2018, the Company also continues to assess other areas of the Tax Act for significant impacts on its estimated average annual effective tax rate and accounting policies, such as the base erosion anti-abuse tax, limitations on interest expense deductions, foreign-derived intangible income deduction, and tax on global intangible low-taxed income. At December 31, 2018, the Company has incorporated the relevant Tax Act items into its provision calculation.

## 27. Net Interest Expense and Other Net Finance Expense

### Net interest expense

	For the year ended December 31	
	2018	2017
	\$	\$
Interest on notes payable	2.1	2.9
Interest on revolving credit facilities	28.4	24.4
Interest on finance leases	0.5	0.1
Other	0.6	1.7
Total interest expense	31.6	29.1
Interest income on FVOCI investment debt securities	(2.5)	(2.4)
Other	(0.4)	(0.8)
Total interest income	(2.9)	(3.2)
<b>Net interest expense</b>	<b>28.7</b>	<b>25.9</b>

### Other net finance expense

	For the year ended December 31	
	2018	2017
	\$	\$
Realized loss on sale of FVOCI investment debt securities	0.3	-
Amortization on FVOCI investment debt securities	0.5	0.6
Bank charges	5.6	8.6
Total other finance expense	6.4	9.2
Realized gain on sale of FVOCI investment debt securities	-	(1.4)
Derecognition of notes payable	(0.7)	(0.7)
<b>Other net finance expense</b>	<b>5.7</b>	<b>7.1</b>

## 28. Revenue

### Disaggregation of revenue

The Company provides professional consulting services in engineering, architecture, interior design, landscape architecture, surveying, environmental sciences, project management, and project economics throughout North America and globally. The Company has five specialized business operating units within Consulting Services: Buildings, Energy & Resources, Environmental Services, Infrastructure, and Water. Consulting Services revenue is derived principally under fee-for-service agreements with clients. Disaggregation of revenue by geographic area and service is included in note 34.

The Company's Construction Services operations were disposed of during the year and reported as discontinued operations (note 8).

## Contract balances

The following table provides information about receivables, contract assets, and deferred revenue (contract liabilities) from contracts with customers:

	December 31 2018 \$	January 1 2018 \$
Receivables		
Trade receivables and holdbacks	821.9	816.1
Unbilled receivables	384.6	315.6
Contract assets	59.7	69.2
Deferred revenue	(174.4)	(196.4)
<b>Total Consulting Services</b>	<b>1,091.8</b>	<b>1,004.5</b>

Significant increases (decreases) in contract assets and deferred revenue in the year are as follows:

		For the year ended December 31, 2018	
	Note	Contract Assets \$	Deferred Revenue \$
Acquisitions		0.7	7.2
Discontinued operations and disposition of subsidiaries	8	(15.3)	(59.3)

Revenue recognized in 2018 and included in deferred revenue at January 1, 2018 was \$196.4. Revenue recognized in 2018 from performance obligations satisfied (or partially satisfied) in prior years was less than 5% of the Company's gross revenue from continuing operations.

## Remaining performance obligations (backlog)

The aggregate amount of estimated revenue (note 5) related to performance obligations that are unsatisfied (or partially unsatisfied) as at December 31, 2018, was \$4,179. This amount includes all contracts with customers but excludes variable consideration that is not highly probable. The Company expects to recognize approximately 77% of this revenue as contracts are completed over the next 18 months, with the remainder recognized thereafter.

## 29. Employee Costs from Continuing Operations

		For the year ended December 31	
	Note	2018 \$	2017 \$
Wages, salaries, and benefits		2,358.8	2,220.8
Pension costs		83.3	67.7
Share-based compensation	22	5.3	9.5
<b>Total employee costs</b>		<b>2,447.4</b>	<b>2,298.0</b>
Direct labor		1,540.0	1,411.9
Indirect labor		907.4	886.1
<b>Total employee costs</b>		<b>2,447.4</b>	<b>2,298.0</b>

Direct labor costs include salaries, wages, and related fringe benefits for labor hours directly associated with the completion of projects. Bonuses, share-based compensation, termination payments, and salaries, wages, and related fringe benefits for labor hours not directly associated with the completion of projects are included in indirect labor costs. Indirect labor costs are included in administrative and marketing expenses in the consolidated statements of income. Included in pension costs is \$70.5 (2017 – \$65.1) related to defined contribution plans.

### 30. Other Expense (Income)

	For the year ended December 31	
	2018 \$	2017 \$
Loss on sale of property and equipment	1.7	0.2
Unrealized loss on equity securities	4.9	-
Net realized gain on equity securities	(0.9)	(9.6)
Other	(5.6)	(0.6)
<b>Total other expense (income)</b>	<b>0.1</b>	<b>(10.0)</b>

### 31. Weighted Average Shares Outstanding

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

	December 31 2018 #	December 31 2017 #
<b>Basic shares outstanding</b>	<b>113,733,118</b>	113,991,507
Share options (dilutive effect of 507,066 options; 2017 – 4,426,237 options)	89,200	361,413
<b>Diluted shares</b>	<b>113,822,318</b>	114,352,920

At December 31, 2018, 4,480,476 options were antidilutive. At December 31, 2017, no options were antidilutive.

### 32. Cash Flow Information

A reconciliation of liabilities arising from financing activities for the year ended December 31, 2018, is as follows:

	Statement of Cash Flows			Non-Cash Changes		December 31 2018 \$
	January 1 2018 \$	Proceeds \$	Repayments or Payments \$	Foreign Exchange \$	Other \$	
Revolving credit facilities	209.9	432.3	(120.0)	6.4	-	528.6
Term loan	458.5	-	(150.0)	-	0.3	308.8
Finance lease obligations	10.4	-	(14.8)	1.4	22.5	19.5
Dividends to shareholders	14.3	-	(61.3)	-	62.4	15.4
<b>Total liabilities from financing activities</b>	<b>693.1</b>	<b>432.3</b>	<b>(346.1)</b>	<b>7.8</b>	<b>85.2</b>	<b>872.3</b>

### 33. Related-Party Disclosures

At December 31, 2018, the Company had subsidiaries and structured entities that it controlled and included in its consolidated financial statements. The Company also enters into related-party transactions through a number of joint ventures, associates, and joint operations. These transactions involve providing or receiving services entered into in the normal course of business.

The following lists the most significant entities where the Company owns 100% of the voting and restricted securities.

Name	Jurisdiction of Incorporation
3221969 Nova Scotia Company	Nova Scotia, Canada
International Insurance Group Inc.	Barbados
Mustang Acquisition Holdings Inc.	Delaware, United States
MWH International, Inc.	Delaware, United States
Stantec Australia Pty Ltd	Australia
Stantec Consulting Caribbean Ltd.	Barbados
Stantec Consulting International LLC	Arizona, United States
Stantec Consulting International Ltd.	Canada
Stantec Consulting Ltd./Stantec Experts-conseils ltée	Canada
Stantec Consulting Michigan Inc.	Michigan, United States
Stantec Consulting Services Inc.	New York, United States
Stantec Delaware II LLC	Delaware, United States
Stantec Holdings (2017) Limited	United Kingdom
Stantec Holdings II Ltd.	Alberta, Canada
Stantec New Zealand	New Zealand
Stantec Technology International Inc.	Delaware, United States
Stantec UK Limited	United Kingdom

There are no significant restrictions on the Company's ability to access or use assets or to settle liabilities of its subsidiaries. Financial statements of all subsidiaries are prepared as at the same reporting date as the Company's.

#### Structured entities

At December 31, 2018, the Company had management agreements in place with several entities to provide various services, including architecture, engineering, planning, and project management. These entities have been designed so that voting rights are not the dominant factor in deciding who controls the entity. Each entity has a management agreement in place that provides the Company with control over the relevant activities of the entity where it has been assessed that the Company is exposed to variable returns of the entity and can use its power to influence the variable returns. The Company receives a management fee generally equal to the net income of the entities and has an obligation regarding the liabilities and losses of the entities. Based on these facts and circumstances, management determined that the Company controls these entities and they are consolidated in the Company's consolidated financial statements. The Company does not have any unconsolidated structured entities.

The following lists the most significant structured entities that are consolidated in the Company's financial statements.

Name	Jurisdiction of Incorporation
Stantec Architecture Inc.	North Carolina, United States
Stantec Architecture Ltd.	Canada
Stantec Geomatics Ltd.	Alberta, Canada
Stantec International Inc.	Pennsylvania, United States

#### Joint operations

The Company also conducted its business through the following significant joint operations.

Name	Ownership	
	Interests	Jurisdiction
Stantec/SG Joint Venture	65%	United States
Starr II, a Joint Venture	48%	United States

### Joint ventures and associates

The Company enters into transactions through its investments in joint ventures and associates. The following table provides the total dollar amount for transactions that have been entered into with related parties.

	For the year ended December 31, 2018			For the year ended December 31, 2017		
	Sales to Related Parties \$	Distributions Paid \$	Amounts Owed by Related Parties \$	Sales to Related Parties \$	Distributions Paid \$	Amounts Owed by Related Parties \$
Joint ventures	39.8	0.3	10.2	40.6	1.3	11.1
Associates	4.3	0.2	1.0	10.2	0.7	0.8

### Compensation of key management personnel and directors of the Company

	Note	For the year ended December 31	
		2018 \$	2017 \$
Salaries and other short-term employment benefits		9.0	11.3
Directors' fees		0.8	0.8
Share-based compensation	22	0.9	4.0
<b>Total compensation</b>		<b>10.7</b>	<b>16.1</b>

The Company's key management personnel include its CEO, chief operating officer, chief business officer, chief financial officer, chief practice and project officer, and executive vice presidents. The amounts disclosed in the table are the amounts recognized as an expense related to key management personnel and directors during the year. Share-based compensation includes the fair value adjustment for the year.

### 34. Segmented Information

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

Segment performance is evaluated by the CEO based on gross margin and is measured consistently with gross margin in the consolidated financial statements. Inter-segment revenues are eliminated on consolidation and reflected in the Adjustments and Eliminations column.

## Reportable segments from continuing operations

Comparative figures in the table below were reclassified due to a realignment between the Consulting Services – United States and Consulting Services – Global reportable segments.

	For the year ended December 31, 2018					
	Consulting Services			Total Segments	Adjustments and Eliminations	Consolidated
	Canada	United States	Global			
	\$	\$	\$	\$	\$	\$
<b>Total gross revenue</b>	1,311.0	2,365.9	742.7	4,419.6	(135.8)	4,283.8
Less inter-segment revenue	35.2	31.3	69.3	135.8	(135.8)	-
<b>Gross revenue from external customers</b>	1,275.8	2,334.6	673.4	4,283.8	-	4,283.8
Less subconsultants and other direct expenses	188.0	560.2	180.4	928.6	-	928.6
<b>Total net revenue</b>	1,087.8	1,774.4	493.0	3,355.2	-	3,355.2
<b>Gross margin</b>	557.0	982.5	275.7	1,815.2	-	1,815.2

	For the year ended December 31, 2017					
	Consulting Services			Total Segments	Adjustments and Eliminations	Consolidated
	Canada	United States	Global			
	\$	\$	\$	\$	\$	\$
<b>Total gross revenue</b>	1,221.9	2,254.0	664.7	4,140.6	(111.9)	4,028.7
Less inter-segment revenue	30.2	28.0	53.7	111.9	(111.9)	-
<b>Gross revenue from external customers</b>	1,191.7	2,226.0	611.0	4,028.7	-	4,028.7
Less subconsultants and other direct expenses	164.1	511.3	179.5	854.9	-	854.9
<b>Total net revenue</b>	1,027.6	1,714.7	431.5	3,173.8	-	3,173.8
<b>Gross margin</b>	551.5	958.7	251.7	1,761.9	-	1,761.9

Geographic information	Non-Current assets		Gross Revenue	
	December 31 2018	December 31 2017	For the year ended December 31	
	\$	\$	2018	2017
	\$	\$	\$	\$
Canada	535.2	452.4	1,275.8	1,191.7
United States	1,342.3	1,311.2	2,334.6	2,226.0
United Kingdom	140.5	119.3	184.9	129.4
Other countries	140.3	148.7	488.5	481.6
	2,158.3	2,031.6	4,283.8	4,028.7

Non-current assets consist of property and equipment, goodwill, and intangible assets. Geographic information is attributed to countries based on the location of the assets. Gross revenue is attributed to countries based on the location of the project.

**Gross revenue by services**

	For the year ended December 31	
	2018	2017
	\$	\$
Consulting Services		
Buildings	944.5	898.1
Energy & Resources	591.7	479.2
Environmental Services	682.8	678.1
Infrastructure	1,157.6	1,090.4
Water	907.2	882.9
<b>Total gross revenue from external customers</b>	<b>4,283.8</b>	<b>4,028.7</b>

The allocation of gross revenue to each business operating unit has been reclassified for comparative figures due to a realignment of certain services between business operating units.

**Customers**

The Company has a large number of clients in various industries and sectors of the economy. No particular customer exceeds 10% of the Company's gross revenue.

**35. 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 administrative and marketing expenses when there is reasonable assurance of their ultimate realization. In 2018, investment tax credits of \$7.3 (2017 – \$9.6) were recorded.

**36. Events after the Reporting Period****Normal Course Issuer Bid**

From January 1, 2019, to February 28, 2019, pursuant to the NCIB, the Company repurchased and cancelled 195,064 common shares at an average price of \$30.63 per share for an aggregate price of \$6.0.

**Interest Rate Swap**

In January 2019, the Company entered into a \$160.0 interest rate swap agreement maturing on June 27, 2023. The swap agreement has the effect of converting the variable interest rate on \$160.0 of the Company's revolving credit facility into a fixed rate of 2.295%, plus an applicable basis points spread.

**Dividend**

On February 27, 2019, the Company declared a dividend of \$0.145 per share, payable on April 15, 2019, to shareholders of record on March 29, 2019.

**37. Comparative Figures**

Certain comparative figures have been reclassified to conform to the presentation adopted for the current period, including a \$13.6 reclassification for end of employment benefit plans from provisions to net employee defined benefit liability.

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