

2016

# CONSOLIDATED FINANCIAL STATEMENTS

AUDITED

For the year ended December 31, 2016

# **WSP Global Inc.**

Audited Consolidated Financial Statements  
**December 31, 2016**

(in millions of dollars)



February 28, 2017

## **Independent Auditor's Report**

### **To the Shareholders of WSP Global Inc.**

We have audited the accompanying consolidated financial statements of WSP Global Inc., which comprise the consolidated statement of financial position as at December 31, 2016 and 2015 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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*PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.  
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1  
T: +1 514 205 5000, F: +1 514 876 1502, [www.pwc.com/ca](http://www.pwc.com/ca)*

"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of WSP Global Inc. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP<sup>1</sup>*

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<sup>1</sup> CPA auditor, CA, public accountancy permit no. A119427

# WSP Global Inc.

## Consolidated Statements of Financial Position

As at December 31, 2016, and 2015

(in millions of Canadian dollars)

	2016	2015
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash (note 6)	230.8	204.1
Restricted cash	5.1	4.7
Trade, prepaid and other receivables (note 7)	1,414.5	1,530.2
Income taxes receivable	31.5	24.5
Costs and anticipated profits in excess of billings	824.0	829.0
	<u>2,505.9</u>	<u>2,592.5</u>
<b>Non-current assets</b>		
Other assets (note 8)	111.9	108.6
Deferred income tax assets (note 21)	78.9	55.6
Property, plant and equipment (note 9)	292.7	269.5
Intangible assets (note 10)	355.7	406.6
Goodwill (note 11)	2,783.6	2,734.3
<b>Total assets</b>	<u><b>6,128.7</b></u>	<u><b>6,167.1</b></u>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 13)	1,267.7	1,256.0
Billings in excess of costs and anticipated profits	483.4	549.2
Income taxes payable	38.5	48.7
Dividends payable to shareholders (note 22)	38.0	37.2
Current portion of long-term debts (note 14)	135.9	142.6
Other current financial liabilities (note 15)	18.1	18.7
	<u>1,981.6</u>	<u>2,052.4</u>
<b>Non-current liabilities</b>		
Long-term debts (note 14)	914.2	846.8
Other non-current financial liabilities (note 15)	13.9	4.8
Provisions (note 13)	74.4	72.8
Retirement benefit obligations (note 16)	218.1	208.7
Deferred income tax liabilities (note 21)	66.0	69.9
<b>Total liabilities</b>	<u><b>3,268.2</b></u>	<u><b>3,255.4</b></u>
<b>Equity</b>		
<b>Equity attributable to shareholders</b>		
Share capital (note 17)	2,491.6	2,409.7
Contributed surplus (note 17)	203.3	201.7
Accumulated other comprehensive income	132.8	313.2
Retained earnings (deficit)	31.9	(8.2)
	<u>2,859.6</u>	<u>2,916.4</u>
Non-controlling interest	0.9	(4.7)
<b>Total equity</b>	<u><b>2,860.5</b></u>	<u><b>2,911.7</b></u>
<b>Total liabilities and equity</b>	<u><b>6,128.7</b></u>	<u><b>6,167.1</b></u>
<b>Commitments and contingencies (note 26)</b>		

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

(signed) Alexandre L'Heureux

Director

(signed) Richard Bélanger

Director

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# WSP Global Inc.

## Consolidated Statements of Earnings

For the years ended December 31, 2016, and 2015

(in millions of Canadian dollars, except the number of shares and per share data)

	2016	2015
	\$	\$
<b>Revenues</b>	<b>6,379.6</b>	<b>6,064.0</b>
Personnel costs	3,704.4	3,420.0
Subconsultants and direct costs	1,484.5	1,577.2
Occupancy costs	226.8	215.0
Other operational costs	470.6	418.2
Acquisition and integration costs (note 19)	32.9	3.9
Depreciation of property, plant and equipment	78.4	64.2
Amortization of intangible assets	81.1	75.8
Exchange loss (gain)	(2.0)	(0.8)
Share of income of associates and joint venture (net of tax)	(0.1)	(3.1)
<b>Total net operational costs</b>	<b>6,076.6</b>	<b>5,770.4</b>
Net finance expenses (note 20)	37.2	33.2
<b>Earnings before income taxes</b>	<b>265.8</b>	<b>260.4</b>
Income-tax expense (note 21)	67.1	71.8
<b>Net earnings for the period</b>	<b>198.7</b>	<b>188.6</b>
<b>Net earnings (loss) attributable to:</b>		
Shareholders	199.1	188.8
Non-controlling interests	(0.4)	(0.2)
	198.7	188.6
Basic net earnings per share attributable to shareholders	1.97	2.05
Diluted net earnings per share attributable to shareholders	1.97	2.05
Basic weighted average number of shares	100,883,512	92,280,269
Diluted weighted average number of shares	100,919,789	92,324,972

The accompanying notes are an integral part of these consolidated financial statements.

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# WSP Global Inc.

## Consolidated Statements of Comprehensive Income For the years ended December 31, 2016, and 2015

(in millions of Canadian dollars)

	2016	2015
	\$	\$
<b>Comprehensive income (loss)</b>		
Net earnings for the period	198.7	188.6
<b>Other comprehensive income (loss), net of tax</b>		
<i>Items that may be reclassified subsequently to net earnings</i>		
Currency translation adjustments	(160.7)	339.0
Fair value re-evaluations – available-for-sale assets (net of tax expense/(recovery) of \$0.3 ((\$1.6) in 2015)) (note 8)	0.7	(4.1)
Translation adjustments on financial instruments designated as net investment hedge (net of a tax expense/(recovery) of \$2.1 ((\$13.2) in 2015))	13.5	(84.8)
<i>Items that will not be reclassified to net earnings</i>		
Actuarial gain/(loss) on pension schemes (net of a tax expense/(recovery) of (\$7.4) (\$10.2 in 2015)) (notes 16 and 21)	(33.9)	34.1
<b>Total comprehensive income (loss) for the period</b>	<b>18.3</b>	<b>472.8</b>
<b>Comprehensive income (loss) attributable to:</b>		
Shareholders	18.7	471.8
Non-controlling interests	(0.4)	1.0
	<b>18.3</b>	<b>472.8</b>

The accompanying notes are an integral part of these consolidated financial statements.

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# WSP Global Inc.

## Consolidated Statements of Changes in Equity For the years ended December 31, 2016, and 2015

(in millions of Canadian dollars)

	Attributable to Shareholders				Total \$	Non- controlling interests \$	Total equity \$
	Share capital \$	Contributed Surplus \$	Retained earnings (deficit) \$	Accumulated other comprehensive income \$			
<b>Balance - January 1, 2015</b>	<b>1,976.6</b>	<b>200.0</b>	<b>(55.0)</b>	<b>30.2</b>	<b>2,151.8</b>	<b>(2.8)</b>	<b>2,149.0</b>
Common shares issued under the DRIP (note 17)	70.2	—	—	—	70.2	—	70.2
Common shares issued via private placements (note 17)	138.0	—	—	—	138.0	—	138.0
Common shares issued via public offerings (note 17)	195.3	—	—	—	195.3	—	195.3
Common shares issued in business acquisition (note 17)	29.6	—	—	—	29.6	—	29.6
Stock-based compensation expense (note 12)	—	1.7	—	—	1.7	—	1.7
<b>Comprehensive income (loss)</b>							
Net earnings for the period	—	—	188.8	—	188.8	(0.2)	188.6
Actuarial gain/(loss) on pension schemes (net of tax)	—	—	—	34.1	34.1	—	34.1
Currency translation adjustments	—	—	—	337.8	337.8	1.2	339.0
Fair value re- evaluations – available-for-sale assets (net of tax)	—	—	—	(4.1)	(4.1)	—	(4.1)
Net investment hedge (net of tax)	—	—	—	(84.8)	(84.8)	—	(84.8)
<b>Total comprehensive income (loss)</b>	<b>—</b>	<b>—</b>	<b>188.8</b>	<b>283.0</b>	<b>471.8</b>	<b>1.0</b>	<b>472.8</b>
Declared dividends to shareholders (note 22)	—	—	(141.2)	—	(141.2)	(1.7)	(142.9)
Purchase of non- controlling interest	—	—	(0.8)	—	(0.8)	(1.2)	(2.0)
<b>Balance - December 31, 2015</b>	<b>2,409.7</b>	<b>201.7</b>	<b>(8.2)</b>	<b>313.2</b>	<b>2,916.4</b>	<b>(4.7)</b>	<b>2,911.7</b>

The accompanying notes are an integral part of these consolidated financial statements.

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# WSP Global Inc.

## Consolidated Statements of Changes in Equity For the years ended December 31, 2016, and 2015

(in millions of Canadian dollars)

	Attributable to Shareholders				Total \$	Non- controlling interests \$	Total equity \$
	Share capital \$	Contributed Surplus \$	Retained earnings (deficit) \$	Accumulated other comprehensive income \$			
<b>Balance - January 1, 2016</b>	<b>2,409.7</b>	<b>201.7</b>	<b>(8.2)</b>	<b>313.2</b>	<b>2,916.4</b>	<b>(4.7)</b>	<b>2,911.7</b>
Common shares issued under the DRIP (note 17)	81.9	—	—	—	81.9	—	81.9
Stock-based compensation expense (note 12)	—	1.6	—	—	1.6	—	1.6
<b>Comprehensive income (loss)</b>							
Net earnings for the period	—	—	199.1	—	199.1	(0.4)	198.7
Actuarial gain/(loss) on pension schemes (net of tax)	—	—	—	(33.9)	(33.9)	—	(33.9)
Currency translation adjustments	—	—	—	(160.7)	(160.7)	—	(160.7)
Fair value re- evaluations – available-for-sale assets (net of tax)	—	—	—	0.7	0.7	—	0.7
Net investment hedge (net of tax)	—	—	—	13.5	13.5	—	13.5
<b>Total comprehensive income (loss)</b>	<b>—</b>	<b>—</b>	<b>199.1</b>	<b>(180.4)</b>	<b>18.7</b>	<b>(0.4)</b>	<b>18.3</b>
Declared dividends to shareholders (note 22)	—	—	(150.8)	—	(150.8)	(1.3)	(152.1)
Purchase of non- controlling interest	—	—	(8.2)	—	(8.2)	7.3	(0.9)
<b>Balance - December 31, 2016</b>	<b>2,491.6</b>	<b>203.3</b>	<b>31.9</b>	<b>132.8</b>	<b>2,859.6</b>	<b>0.9</b>	<b>2,860.5</b>

The accompanying notes are an integral part of these consolidated financial statements.

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# WSP Global Inc.

## Consolidated Statements of Cash Flows

For the years ended December 31, 2016, and 2015

(in millions of Canadian dollars)

	2016	2015
	\$	\$
<b>Cash flows generated from (used in) operating activities</b>		
Net earnings for the period	198.7	188.6
Adjustments (note 23a))	133.2	59.7
Income tax expense (note 21)	67.1	71.8
Income taxes paid	(46.6)	(32.2)
Net finance expenses (note 20)	37.2	33.2
Change in non-cash working capital items (note 23b))	(2.8)	(117.3)
<b>Net cash generated from (used in) operating activities</b>	<b>386.8</b>	<b>203.8</b>
<b>Cash flows generated from (used in) financing activities</b>		
Dividends paid to shareholders	(68.0)	(67.0)
Net variation in long-term debts	81.4	90.7
Repayment of other financial liabilities	(2.5)	(77.6)
Finance expenses paid and financing costs	(36.1)	(31.7)
Issuance of common shares, net of issuance costs (note 17)	—	331.1
Dividends paid to a non-controlling interest	(1.3)	(1.7)
<b>Net cash generated from (used in) financing activities</b>	<b>(26.5)</b>	<b>243.8</b>
<b>Cash flows generated from (used in) investing activities</b>		
Business acquisitions (note 4)	(166.9)	(439.0)
Net proceeds from disposal of equity investment in associates	—	93.3
Additions to property, plant and equipment	(108.8)	(88.1)
Proceeds from disposal of property, plant and equipment	2.5	4.6
Additions to intangible assets	(35.6)	(16.6)
Other investments	—	(1.9)
Dividends received from associates	—	11.5
Investment increase in associates and joint ventures	(0.3)	—
<b>Net cash generated from (used in) investing activities</b>	<b>(309.1)</b>	<b>(436.2)</b>
Effect of exchange rate change on cash	(22.9)	14.5
<b>Net change in cash</b>	<b>28.3</b>	<b>25.9</b>
<b>Cash net of bank overdraft – Beginning of year</b>	<b>202.2</b>	<b>176.3</b>
<b>Cash net of bank overdraft (note 6) - End of year</b>	<b>230.5</b>	<b>202.2</b>

The accompanying notes are an integral part of these consolidated financial statements.

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# WSP Global Inc.

Notes to consolidated financial statements

For the years ended December 31, 2016, and 2015

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# WSP Global Inc.

Notes to consolidated financial statements

**For the years ended December 31, 2016, and 2015**

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(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## 1 Business description

WSP Global Inc. (the "Corporation" or "WSP") is a professional services firm which provides technical expertise and strategic advice to clients in the property & buildings, transportation & infrastructure, environment, industry, resources (including mining and oil and gas) and power & energy sectors. The Corporation also offers highly specialized services in project delivery and strategic consulting. The address of its main registered office is 1600, René-Lévesque Boulevard West, Montreal, Quebec.

The common shares of the Corporation are listed under the trading symbol "WSP" on the Toronto Stock Exchange ("TSX").

## 2 Summary of significant accounting policies

### Basis of preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") and IFRS Interpretation Committee Interpretations ('IFRC IC') as defined in Part I of the Handbook of the Chartered Professional Accountants of Canada and adopted by the International Accounting Standards Board. These financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value through the consolidated statement of earnings and the consolidated statement of comprehensive income.

These financial statements were approved by the Corporation's Board of Directors on February 28, 2017.

### Consolidation, joint arrangements and associates

These consolidated financial statements include the accounts of the Corporation and its subsidiaries for the years ended December 31, 2016, and 2015.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries, attributable to non-controlling interests, is disclosed as a component of equity. Their share of net earnings and comprehensive income is recognized directly in equity. Changes in the parent Corporation's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

All intercompany transactions and balances have been eliminated.

#### *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Corporation has control. The Corporation controls an entity when the Corporation is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains/losses on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the group's accounting policies.

#### *Joint arrangements*

Joint arrangements are classified as either joint operations or joint ventures. The determination of whether an arrangement is a joint operation or joint venture is based on the rights and obligations arising from the contractual obligations between the parties to the arrangement. Joint arrangements that provide the Corporation with the rights to the individual assets and obligations arising from the arrangement are classified as joint operations and

# WSP Global Inc.

## Notes to consolidated financial statements

### For the years ended December 31, 2016, and 2015

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(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

joint arrangements that provide the Corporation with rights to the net assets of the arrangement are classified as joint ventures.

The interests in joint arrangements that are classified as joint operations are accounted for by the Corporation recording its pro rata share of the assets, liabilities, revenues, costs and cash flows using the most recent financial statements of these joint arrangements available.

The interests in joint arrangements that are classified as joint ventures are accounted for using the equity method and disclosed as an investment in the statements of financial position.

#### *Associates*

Associates are all entities over which the Corporation has significant influence but not control. Investments in associates are accounted for using the equity method. Under this method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and of other comprehensive income after the date of acquisition.

#### **Foreign currency**

The consolidated financial statements are presented in Canadian dollars, which is WSP's functional currency.

Items included in the financial statements of each of the Corporation's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statements of earnings, except when deferred in other comprehensive income as qualifying for net investment hedges. Foreign exchange gains and losses that relate to borrowings are disclosed within finance expenses. All other foreign exchange gains and losses are disclosed within exchange loss (gain).

Assets and liabilities of entities with functional currencies other than the Canadian dollar are translated at the period-end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting changes are recognized in accumulated other comprehensive income in equity as currency translation adjustments.

#### **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing the performance of the operating segments and has been identified as the global leadership team ("GLT"). The Corporation manages through four reportable operating segments, which are the following: Canada, Americas (USA and Latin America), EMEIA (Europe, Middle East, India and Africa) and APAC (Asia Pacific – comprising mainly Asia and Australia).

#### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Corporation's activities. Revenue is shown net of value-added tax and after eliminating sales within the group.

The Corporation recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the

# WSP Global Inc.

Notes to consolidated financial statements

## For the years ended December 31, 2016, and 2015

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(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

Corporation's activities as described below. The Corporation bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues and profits from cost-plus contracts with ceilings and from fixed-price contracts are accounted for using the percentage-of-completion method, which is calculated on the ratio of contract costs incurred to total anticipated costs.

Revenues and profits from cost-plus contracts without stated ceilings and from short-term projects are recognized when costs are incurred and are calculated based on billing rates for the services performed.

Certain costs incurred by the Corporation for subconsultants and other expenses that are recoverable directly from clients are billed to them and therefore are included in revenues. The value of goods and services purchased by the Corporation, when acting as a purchasing agent for a client, is not recorded as revenues.

The effect of revisions to estimate revenues and costs is recorded when the amounts are known and can be reasonably estimated. These revisions can occur at any time and could be significant. Where total contract costs exceed total contract revenues, the expected loss is recognized as an expense immediately via a provision for losses to completion, irrespective of the stage of completion and based on a best estimate of forecast results including, where appropriate, rights to additional income or compensation, where they are probable and can be determined reliably.

### **Personnel costs**

Personnel costs include all payroll costs relating to the delivery of consulting services and projects and administrative salaries, such as finance, information technologies, human resources and communications.

### **Subconsultants and direct costs**

Subconsultants and direct costs include subconsultant costs and other direct costs incurred to deliver consulting services and that are recoverable directly from the clients.

### **Other operational costs**

Other operational costs include but are not limited to fixed costs, such as non-recoverable client services costs, technology costs, professional services costs and insurance.

### **Acquisition and integration costs**

Acquisition and integration costs are items of financial performance which the Corporation believes should be separately identified on the face of the consolidated statement of earnings to assist in understanding its operating financial performance.

Acquisition and integration costs include the following:

- Transaction costs related to business acquisitions (successful or not)
- Costs of integrating newly acquired businesses (up to 24 months from date of acquisition)
- Gains/(losses) on disposal of equity investments in associates

The above are examples; however, from time to time, it may be appropriate to disclose other items under this caption in order to highlight the operating financial performance of the Corporation.

# WSP Global Inc.

Notes to consolidated financial statements

**For the years ended December 31, 2016, and 2015**

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(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## **Financial assets and financial liabilities**

Financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurements are dependent on their classification, as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Corporation's designation of such instruments.

### *Loans and receivables*

Trade and other receivables and costs and anticipated profits in excess of billings are classified as loans and receivables. Financial assets classified as loans and receivables are accounted for at amortized cost using the effective interest rate method less any impairment loss.

### *Available for sale financial assets*

Financial assets available for sale are non-derivatives, are carried at their fair value and recorded in non-current assets, unless it is anticipated that they will be sold within twelve months of the statement of financial position date. Realized gains or losses arising from changes in the fair value of available for sale assets are included in the consolidated statement of earnings in the period in which they are realized. Unrealized gains and losses are recorded in other comprehensive income.

### *Other liabilities*

Accounts payable and accrued liabilities, dividends payable to shareholders, long-term debts, and other financial liabilities are classified as other liabilities and are recorded at amortized cost using the effective interest rate method.

### *Deferred financing fees*

Deferred financing fees are capitalized and amortized over the life of the credit facilities agreement.

### *Determination of fair value*

The fair value of a financial instrument is the amount of consideration that would be agreed to be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market inputs and minimizing the use of unobservable inputs.

### *Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

# WSP Global Inc.

Notes to consolidated financial statements

**For the years ended December 31, 2016, and 2015**

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(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## **Derivative financial instruments and hedging activities**

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Corporation designates certain derivatives as either:

- (a) hedges of the fair value of recognized assets and liabilities or a firm commitment (fair value hedge);
- (b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) hedges of a net investment in a foreign operation (net investment hedge).

The Corporation documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Corporation also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

### *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statements of earnings together with any changes in the fair value of the hedged asset or liability that are attributable to the hedge risk.

### *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statements of earnings.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated statements of earnings. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statements of earnings.

### *Net investment hedge*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the consolidated statements of earnings.

# WSP Global Inc.

Notes to consolidated financial statements

**For the years ended December 31, 2016, and 2015**

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(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## Cash

Cash consists of cash on hand and balances with banks. For the purposes of the cash flow statement, cash is net of bank overdraft.

## Trade receivables

Trade receivables are amounts due from customers for the rendering of services in the ordinary course of business. Trade receivables are classified as current assets if payment is due within one year or less. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, less impairment.

## Investments

Investment held in a jointly controlled entity is accounted for using the equity method. Investments in securities are accounted for at fair value with unrealized gains or losses recognized in other comprehensive income. Investments in associates are accounted for using the equity method.

## Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of earnings during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the methods described below to allocate their cost to their residual values over their estimated useful lives. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

The following table summarizes the depreciation methods, rates and periods used:

	Methods	Rates and periods
Buildings	Declining balance	1% to 4%
Leasehold improvements	Straight-line	Lease term
Furniture and equipment	Declining balance	10% to 33%
Computer equipment	Straight-line/Declining balance	3 to 8 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statements of earnings within other operational costs.

## Intangible assets

### *Software and non-competition agreements*

Software and non-competition agreements acquired separately from a business acquisition are carried at cost less accumulated amortization and accumulated impairment losses.

# WSP Global Inc.

Notes to consolidated financial statements

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### *Intangible assets acquired in business acquisitions*

Intangible assets acquired in business combinations consist of software, customer relationships, contract backlogs and trade names. They are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date. They are carried at cost less accumulated amortization and accumulated impairment losses.

### *Amortization*

Software, contract backlogs, customer relationships, certain trade names and non-competition agreements are considered intangible assets with finite useful lives. Based on the strength, long history and expected future use, certain trade names are indefinite-lived intangible assets. The useful life of intangible assets that are not being amortized is reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment. If not, the change in the assessment from indefinite to finite will be accounted for as a change in accounting estimates.

Intangible assets are amortized as follows:

	<b>Method</b>	<b>Periods</b>
Software	Straight-line	3 to 7 years
Contract backlogs	Straight-line	1 to 9 years
Customer relationships	Straight-line	2 to 14 years
Trade names	Straight-line	3 to 8 years
Non-competition agreements	Straight-line	3 to 5 years

### **Impairment of long-lived assets**

Long-lived assets with finite useful lives are reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable. Indefinite-lived assets are not subject to amortization but are tested for impairment on an annual basis on the first day of the Corporation's fourth quarter, or more frequently if events or circumstances indicate that the carrying value may not be recoverable. Impairment exists when the recoverable amount of an asset is less than its carrying value. The recoverable amount is the higher of the asset's fair value less costs to sell ("FVLCS") and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit or "CGU"). The amount of impairment loss, if any, is the excess of the carrying value over its recoverable amount. Assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### **Goodwill**

Goodwill represents the excess of the consideration transferred for the acquired businesses over the estimated fair value at the acquisition date of net identifiable assets acquired. Goodwill is not subject to amortization and is carried at cost less accumulated impairment loss but is tested for impairment on an annual basis or more frequently if events or circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill is allocated to each CGU expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually on the first day of the Corporation's fourth quarter, or more frequently if events or circumstances indicate that the carrying value may not be recoverable. If the higher of the recoverable amount of the CGU's fair value less costs to sell (FVLCS), or its value in use is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill cannot be reversed in a subsequent period.

# WSP Global Inc.

Notes to consolidated financial statements

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(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. Trade payables are recognized initially at fair value and subsequently measured at amortized cost.

## Provisions

Provisions represent liabilities of the Corporation for which the amount or timing is uncertain. Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

## Long-term incentive plans ("LTIPs")

The Corporation has in place LTIPs for key management personnel under which restricted share units, stock options, cash-settled performance share units ("PSUs"), cash-settled deferred share units ("DSUs") and cash-settled restricted share units ("RSUs") have been and can be issued. Restricted share units, stock options, PSUs and RSUs vest over time in accordance with the terms of the grant. DSUs vest when granted. The instruments pertaining to the LTIPs are calculated at fair value, by applying a pricing model at the end of each reporting period and recorded in non-current liabilities (for restricted cash units, PSUs, DSUs and RSUs) and in equity (for options) over the vesting period.

## Income taxes

Income tax is recognized in the consolidated statements of earnings except to the extent that it relates to a business combination, or items recognized in other comprehensive income or directly in equity.

Current tax expense is the expected tax payable or receivable on taxable income or loss for the period, calculated using tax rates and laws that were enacted or substantively enacted for the reporting period.

The Corporation follows the liability method when accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. This approach also requires the recording of deferred income tax assets related to operating loss and tax credit carry forwards. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates applicable when temporary differences and carry forwards are expected to be recovered or settled. Deferred income taxes are not recognized for the initial recognition of goodwill, the initial recognition of assets or liabilities that affects neither accounting nor taxable profit or loss, and temporary differences related to investments in subsidiaries and joint ventures where the Corporation controls the reversal of the temporary difference and reversal is not expected in the foreseeable future.

Deferred income tax assets for unused tax loss carry forwards and deductible temporary differences are only recognized when it is probable that there will be future taxable profits against which the assets can be utilized. Deferred tax assets are reviewed at each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are disclosed as non-current. They are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and they relate to income taxes levied

# WSP Global Inc.

## Notes to consolidated financial statements

### For the years ended December 31, 2016, and 2015

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by the same taxation authority on either the same taxable entity or different entities where there is an intention to settle the balance on a net basis.

As tax legislation is complex and subject to interpretation, in determining current and deferred income taxes the Corporation takes into account the impact of uncertain tax positions and whether additional taxes, interest or penalties may be due. This assessment, based on judgement, requires estimates and assumptions considering facts and circumstances existing as at the reporting period. Estimates are reviewed each reporting period and updated, based on new information available. Interest and penalties are recorded as a component of income tax expenses.

#### **Governmental assistance and investment tax credits (ITCs)**

Governmental assistance and ITCs are recorded when there is reasonable assurance that the Corporation will comply with all the relevant conditions and that the governmental assistance or ITCs will be received. Governmental assistance and ITCs are subject to examination and approval by regulating authorities, and, therefore, the amounts granted may differ from those recorded. Governmental assistance and ITCs determined to be earned by the Corporation are recorded as a reduction of the operating expenses incurred.

#### **Leases**

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. The Corporation leases certain office premises and equipment in which a significant portion of the risks and rewards of ownership are retained by the lessor. These are classified as operating leases. Payments made under these leases (net of any incentives received from the lessor) are charged to the consolidated statements of earnings on a straight-line basis over the period of the lease.

Finance leases which transfer to the Corporation substantially all the risks and benefits of ownership of the asset 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. Finance expenses are charged to the statements of earnings over the period of the agreement. Obligations under finance leases are included in other financial liabilities net of finance costs allocated to future periods. Capitalized leased assets are depreciated over the estimated life of the asset or the lease term.

#### **Pension schemes**

The Corporation maintains a number of defined contribution schemes and contributions are charged to the consolidated statements of earnings in the year in which they are due. In addition, the Corporation operates defined benefit schemes which require contributions to be made to separately administered funds. The cost of providing benefits under defined benefit schemes is determined separately for each scheme using the projected unit credit actuarial valuation method. Current and past service costs together with curtailment and settlement costs are charged to operational costs. Interest costs which are based on a notional charge based on scheme liabilities during the year, less expected returns on scheme assets, are charged to net finance expenses. Actuarial gains and losses are fully recognized in equity through the consolidated statements of comprehensive income as they arise. The consolidated statements of financial position reflect the schemes' surplus or deficit at the consolidated statement of financial position date.

#### **Share capital**

Issuance costs directly attributable to the issuance of shares are recognized as a deduction from equity, net of income tax effects.

# WSP Global Inc.

Notes to consolidated financial statements

## For the years ended December 31, 2016, and 2015

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(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

### Dividends

Dividends on common shares are recognized in the Corporation's consolidated financial statements in the period in which the dividends are declared.

### Earnings per share

Basic earnings per share are determined using the weighted average number of shares outstanding during the year.

Diluted earnings per share are determined using the weighted average number of shares outstanding during the period, plus the effects of dilutive potential shares outstanding during the period. The calculation of diluted earnings per share is made using the treasury stock method.

### Future accounting standard changes

The following standards have been issued but are not yet effective:

#### *IFRS 15 – Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers" to specify how and when to recognize revenue as well as requiring the provision of more informative and relevant disclosures. IFRS 15 supersedes IAS 18, "Revenue", IAS 11, "Construction Contracts", and other revenue recognition related interpretations. The standard will be effective January 1, 2018, for the Corporation with earlier adoption permitted.

#### *IFRS 9 – Financial Instruments*

In July 2014, the IASB amended IFRS 9, "Financial Instruments" to bring together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The standard supersedes all previous versions of IFRS 9 and will be effective on January 1, 2018, for the Corporation with earlier application permitted.

#### *IFRS 16 – Leases*

In January 2016, the IASB issued IFRS 16, "Leases", which will replace IAS 17, "Leases". The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use-asset" for virtually all lease contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. As the Corporation has significant contractual obligations in the form of operating leases (note 26) under IAS 17, there will be a material increase to both assets and liabilities upon the adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with lease arrangements. The new standard will be effective January 1, 2019, for the Corporation with limited early adoption permitted.

The Corporation has not yet quantified the effect of these Standards nor does it intend at this time to early adopt these Standards until the mandatory effective dates.

There are no other IFRS (or IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Corporation.

# WSP Global Inc.

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(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## 3 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical trends and other factors, including expectations of future events that are likely to materialize under reasonable circumstances.

### **Critical accounting estimates and assumptions**

The Corporation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### ***Costs and anticipated profits in excess of billings***

The Corporation values its costs and anticipated profits in excess of billings based on the time and materials charged into each project. Costs and anticipated profits in excess of billings for each project are reviewed on a monthly basis to determine whether the amount is a true reflection of the amount that will be invoiced on the project. Where the review determines that the value of costs and anticipated profits in excess of billings exceed the amount that can be invoiced, adjustments are made to the costs and anticipated profits in excess of billings. The valuation of costs and anticipated profits in excess of billings involves estimates of the volume of work required to complete the project. Changes in the estimation of work required to complete the projects could lead to the undervaluation or overvaluation of costs and anticipated profits in excess of billings.

#### ***Other identifiable intangible assets and goodwill***

Identifiable intangible assets and goodwill, excluding software and non-competition agreements, represented \$3,076.9 of total assets on the consolidated statement of financial position as at December 31, 2016 (\$3,108.4 as at December 31, 2015). These assets arise out of business combinations and the Corporation applies the acquisition method of accounting to these transactions. In measuring the fair value of the assets acquired and the liabilities assumed and estimating their useful lives, Management used significant estimates and assumptions regarding cash flow projections, economic risk and weighted cost of capital.

These estimates and assumptions determine the amount allocated to other identifiable intangible assets and goodwill, as well as the amortization period for identifiable intangible assets with finite lives. If results differ from estimates, the Corporation may be required to increase amortization or impairment charges.

#### ***Claims provisions***

In the normal course of business the Corporation faces legal proceedings for work carried out on projects. The Corporation has professional liability insurance in order to manage risks related to such proceedings. Management estimates the claims provisions, based on advice and information provided by its legal advisors and on its own past experience in the settlement of similar proceedings. Claims provisions include litigation costs and also take into account indemnities. Final settlements could have an effect on the financial position or operating results of the Corporation.

#### ***Retirement benefit obligations***

The present value of obligations is calculated on an actuarial basis which depends on a number of assumptions relating to the future. These key assumptions are assessed regularly according to market conditions and data available to Management. Additional details are given in note 16.

# WSP Global Inc.

Notes to consolidated financial statements

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## ***Current Income Taxes***

The Corporation is subject to income tax laws and regulations in several jurisdictions. An estimate is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due in the future. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, on the basis of amounts expected to be paid to the tax authorities.

## **Critical judgments in applying the Corporation's accounting policies**

### ***Deferred Tax Assets***

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Corporation's most recent approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Corporation operates are also carefully taken into consideration. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by Management based on the specific facts and circumstances.

## **4 Business acquisitions**

Acquisitions are accounted for using the acquisition method, and the operating results are included in the consolidated financial statements from the date of acquisition. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation will report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

The measurement period is the period from the date of acquisition to the date the Corporation obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

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## For the years ended December 31, 2016, and 2015

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### 2016 Transactions

#### a) Acquisitions made in 2016

In 2016, the Corporation concluded a number of acquisitions, notably the industrial water consultancy business of Schlumberger ("Schlumberger") in the second quarter of 2016 and Mouchel Consulting ("Mouchel"), the engineering consulting services business of Mouchel Limited, held by the Kier Group plc, in the fourth quarter of 2016.

The table below presents Management's preliminary assessment of the fair values of the assets acquired and the liabilities assumed. The final assessment of the fair values will be finalized after the values of the assets and liabilities have been definitely determined. Accordingly, the following values are subject to change and such changes may be material. These acquisitions were not individually material, therefore the Corporation has chosen to disclose the required information in aggregate.

	<b>Preliminary</b>
<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>	
Current Assets	
Cash	5.5
Trade, prepaid and other receivables	45.3
Costs and anticipated profits in excess of billings	31.7
Property and equipment	3.6
Computer Software	0.8
Intangible assets	1.4
Deferred income tax assets	0.1
Other non-current assets	0.8
Current Liabilities	
Accounts payable and accrued liabilities	(83.6)
<b>Fair value of identifiable assets and liabilities assumed</b>	<b>5.6</b>
Goodwill	166.7
<b>Total purchase consideration</b>	<b>172.3</b>
Cash acquired	(5.5)
Consideration receivable (payable)	(7.5)
<b>Cash disbursements</b>	<b>159.3</b>

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Notes to consolidated financial statements

## For the years ended December 31, 2016, and 2015

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(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

Goodwill is attributable to the workforce of the acquired business and the synergies expected to arise with the Corporation after the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

The trade receivables acquired had a fair value and gross contractual amount of approximately \$36.9.

The acquired businesses contributed revenues of approximately \$68.0 and net earnings of nil from their dates of acquisition to December 31, 2016. If the acquisitions had occurred on January 1, 2016, the Corporation's revenues and net earnings for 2016 would have increased by approximately \$227.0 and \$1.7 respectively.

### 2015 Transactions

#### a) Acquisition of MMM Group Limited. ("MMM")

On October 15, 2015, the Corporation completed the acquisition of MMM, one of the largest privately-owned engineering consulting companies in Canada with approximately 2,000 employees.

The acquisition price of \$425.0 was paid primarily in cash and by the issuance of shares to MMM employees for an aggregate amount of approximately \$22.1 at a price of \$42.25 per share.

In 2016, the Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition.

The final determination of the fair values required some adjustments to the preliminary assessments as shown below. The Corporation has not restated the 2015 consolidated statement of financial position's comparative figures as the adjustments were deemed not material. The Corporation also determined that the net impact on the net earnings as a result of these adjustments was not material for the periods subsequent to the acquisition date, and as such, they were accounted for in the current year's consolidated statement of earnings.

# WSP Global Inc.

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## For the years ended December 31, 2016, and 2015

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

The table below presents Management's final assessment of the fair values of the assets acquired and the liabilities assumed.

	Preliminary	Adjustments	Final
<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>			
Current Assets			
Cash	14.1	—	14.1
Trade, prepaid and other receivables	91.1	(2.5)	88.6
Costs and anticipated profits in excess of billings	32.2	3.2	35.4
Property and equipment	20.3	—	20.3
Computer Software	1.6	—	1.6
Intangible assets	34.1	(0.2)	33.9
Other non-current assets	3.2	—	3.2
Current Liabilities			
Accounts payable and accrued liabilities	(67.4)	(1.4)	(68.8)
Billings in excess of costs and anticipated profits	(24.2)	—	(24.2)
Long-term debt	(1.0)	0.2	(0.8)
Other non-current liabilities	(0.9)	0.4	(0.5)
Deferred income tax liabilities	(14.6)	0.9	(13.7)
<b>Fair value of identifiable assets and liabilities assumed</b>	<b>88.5</b>	<b>0.6</b>	<b>89.1</b>
Goodwill	336.5	(0.6)	335.9
<b>Total purchase consideration</b>	<b>425.0</b>	<b>—</b>	<b>425.0</b>
Cash acquired	(14.1)	—	(14.1)
Share capital issued	(22.1)	—	(22.1)
<b>Cash disbursements</b>	<b>388.8</b>	<b>—</b>	<b>388.8</b>

Goodwill is attributable to the workforce of the acquired business and the synergies expected to arise with the Corporation after the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

The trade receivables acquired had a fair value and gross contractual amount of approximately \$82.8.

The acquired business contributed revenues of \$73.8 and net earnings of \$3.4 from October 15, 2015, to December 31, 2015. If the acquisition of MMM had occurred on January 1, 2015, the Corporation's revenues and net earnings for 2015 would have increased by \$262.0 and \$13.1, respectively.

### b) Other acquisitions made in 2015

In 2015, the Corporation concluded a number of other acquisitions, notably SPL Consultants Limited ("SPL") in the second quarter of 2015 and Faveo Group ("Faveo") and Caravel Investments Ltd., including its whole owned subsidiary, Levelton Consultants, (collectively "Levelton") in the third quarter of 2015.

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In 2016, the Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to these acquisitions.

The final determination of the fair values required some adjustments to the preliminary assessments as shown below. The Corporation has not restated the 2015 consolidated statement of financial position's comparative figures as the adjustments were deemed not material. The Corporation also determined that the net impact on the net earnings as a result of these adjustments was not material for the periods subsequent to the acquisition date, and as such, they were accounted for in the current year's consolidated statement of earnings.

The table below presents Management's final assessment of the fair values of the assets acquired and the liabilities assumed. These acquisitions were not individually material, therefore the Corporation has chosen to disclose the required information in aggregate.

	Preliminary	Adjustments	Final
<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>			
Current Assets			
Cash	10.8	—	10.8
Trade, prepaid and other receivables	34.2	—	34.2
Costs and anticipated profits in excess of billings	5.2	—	5.2
Property and equipment	4.0	—	4.0
Computer Software	0.3	—	0.3
Intangible assets	2.9	—	2.9
Deferred income tax assets	0.9	—	0.9
Other non-current assets	0.4	—	0.4
Current Liabilities			
Accounts payable and accrued liabilities	(24.0)	1.5	(22.5)
Billings in excess of costs and anticipated profits	(2.9)	—	(2.9)
Long-term debt	(4.4)	—	(4.4)
Other non-current liabilities	(1.3)	—	(1.3)
Retirement benefit obligations	(1.8)	—	(1.8)
Deferred income tax liabilities	(1.3)	—	(1.3)
<b>Fair value of identifiable assets and liabilities</b>	<b>23.0</b>	<b>1.5</b>	<b>24.5</b>
Goodwill	76.6	(1.5)	75.1
<b>Total purchase consideration</b>	<b>99.6</b>	<b>—</b>	<b>99.6</b>
Cash acquired	(10.8)	—	(10.8)
Share capital issued	(7.5)	—	(7.5)
Consideration receivable (payable)	(3.9)	3.9	—
<b>Cash disbursements</b>	<b>77.4</b>	<b>3.9</b>	<b>81.3</b>

Goodwill is attributable to the workforce of the acquired business and the synergies expected to arise with the Corporation after the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

The receivables acquired had a fair value and gross contractual amount of approximately \$34.0.

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## 5 Joint arrangements

The Corporation holds interests in various joint arrangements. The lists below present the most significant joint arrangements that have been identified and classified as joint operations.

**2016**

<b>Name</b>	<b>Interest</b>	<b>Country</b>
PB / HOK Joint venture	50%	USA
General Engineering Consultants	33%	USA
PB-P Joint venture	60%	USA
MapLAX, A Joint Venture	51%	USA
Transit Modernization Partners	70%	USA
Parsons Brinckerhoff Quade & Douglas & Parsons Brinckerhoff Transportation Group JV	50%	USA
HDR - PB A Joint venture	45%	USA
KierWSP	50%	England
Pacific Complete - W2B	40%	Australia
KAWSP	40%	Qatar

**2015**

<b>Name</b>	<b>Interest</b>	<b>Country</b>
Consortium ARCOP - FGM - JV	50%	Canada
Garrison Energy Center	35%	USA
PB Americas, Inc./Rummel, Klepper & Kahl, Llp.	47%	USA
Maryland Transit Partners	27%	USA
Parsons Brinckerhoff Quade & Douglas And Parsons Transportation Group, JV	50%	USA
General Engineering Consultants	33%	USA
FTS-MK/ALLTECH (OOCEA)	40%	USA
MapLAX, A Joint Venture	51%	USA
KierWSP	50%	England
KAWSP	40%	Qatar

There are no significant contingent liabilities relating to the Corporation's interest in the above identified joint operations, and no contingent liabilities of the venture itself.

# WSP Global Inc.

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## 6 Cash

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash	230.8	204.1
Less: Bank overdraft (note 15)	(0.3)	(1.9)
<b>Cash net of bank overdraft</b>	<b>230.5</b>	<b>202.2</b>

## 7 Trade, prepaid and other receivables

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	1,233.7	1,289.7
Allowance for doubtful accounts	(84.2)	(64.3)
Net trade receivables	1,149.5	1,225.4
Amounts due from joint ventures and associates undertaking	17.6	20.7
Other receivables	142.9	164.9
Prepaid expenses	104.5	119.2
	<b>1,414.5</b>	<b>1,530.2</b>

The aging of gross trade receivables past due was as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Current	423.7	460.5
Past due 0-30 days	292.0	322.6
Past due 31-60 days	155.7	180.2
Past due 61-90 days	82.0	86.0
Past due 91-180 days	102.1	104.8
Past due over 180 days	178.2	135.6
<b>Balance – End of year</b>	<b>1,233.7</b>	<b>1,289.7</b>

# WSP Global Inc.

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## For the years ended December 31, 2016, and 2015

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### Allowance for doubtful accounts

The changes in the allowance for doubtful accounts were as follows:

	2016	2015
	\$	\$
<b>Balance – Beginning of year</b>	64.3	45.3
Adjustments of allowance	22.8	13.1
Exchange differences	(2.9)	5.9
<b>Balance – End of year</b>	<u>84.2</u>	<u>64.3</u>

The Corporation is exposed to credit risk with respect to its trade receivables and maintains provisions for potential credit losses. Potential for such losses is mitigated because customer creditworthiness is evaluated before credit is extended and no single customer represents more than 10.0% of revenues.

### 8 Other assets

	2016	2015
	\$	\$
Deferred financing fees	3.5	4.9
Investments	6.4	6.3
Financial assets available for sale*	102.0	97.4
	<u>111.9</u>	<u>108.6</u>

\* Included in Financial assets available for sale are investments in a multitude of mutual funds, based on employees' investment elections, with respect of the deferred compensation obligations of the Corporation as disclosed in note 16. The fair value of these investments is \$96.7 (\$94.3 in 2015), determined by the market price of the funds at the reporting date.

# WSP Global Inc.

Notes to consolidated financial statements

**For the years ended December 31, 2016, and 2015**

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## 9 Property, plant and equipment

	<b>Land and buildings</b>	<b>Leasehold improvement</b>	<b>Furniture and equipment</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance as at January 1, 2015</b>					
Cost	35.8	80.3	99.7	77.7	293.5
Accumulated depreciation	(4.0)	(14.9)	(37.0)	(35.2)	(91.1)
Net value	<u>31.8</u>	<u>65.4</u>	<u>62.7</u>	<u>42.5</u>	<u>202.4</u>
Additions	0.4	25.6	31.8	30.3	88.1
Additions through business acquisitions (note 4)	-	13.4	7.2	3.7	24.3
Disposals	-	(1.3)	(1.7)	(1.4)	(4.4)
Depreciation for the year	(1.1)	(15.4)	(25.4)	(22.3)	(64.2)
Exchange differences	1.8	11.1	5.4	5.0	23.3
	<u>1.1</u>	<u>33.4</u>	<u>17.3</u>	<u>15.3</u>	<u>67.1</u>
Balance as at December 31, 2015	<u>32.9</u>	<u>98.8</u>	<u>80.0</u>	<u>57.8</u>	<u>269.5</u>
<b>Balance as at December 31, 2015</b>					
Cost	36.6	130.0	145.3	115.2	427.1
Accumulated depreciation	(3.7)	(31.2)	(65.3)	(57.4)	(157.6)
Net value	<u>32.9</u>	<u>98.8</u>	<u>80.0</u>	<u>57.8</u>	<u>269.5</u>
Additions	0.9	36.8	33.4	37.7	108.8
Additions through business acquisitions (note 4)	0.2	1.8	1.1	0.5	3.6
Disposals	—	(0.6)	(1.2)	—	(1.8)
Depreciation for the year	(1.2)	(22.2)	(27.3)	(27.7)	(78.4)
Exchange differences	(7.1)	1.8	(1.4)	(2.3)	(9.0)
	<u>(7.2)</u>	<u>17.6</u>	<u>4.6</u>	<u>8.2</u>	<u>23.2</u>
Balance as at December 31, 2016	<u>25.7</u>	<u>116.4</u>	<u>84.6</u>	<u>66.0</u>	<u>292.7</u>
<b>Balance as at December 31, 2016</b>					
Cost	32.9	169.5	172.8	149.4	524.6
Accumulated depreciation	(7.2)	(53.1)	(88.2)	(83.4)	(231.9)
Net value	<u>25.7</u>	<u>116.4</u>	<u>84.6</u>	<u>66.0</u>	<u>292.7</u>

# WSP Global Inc.

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## For the years ended December 31, 2016, and 2015

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### 10 Intangible assets

	Software	Contract backlogs	Customer relationships	Non-competition agreements	Trade names	Total
	\$	\$	\$	\$	\$	\$
<b>Balance as at January 1, 2015</b>						
Cost	56.9	139.0	232.9	2.6	81.0	512.4
Accumulated amortization	(32.7)	(22.1)	(75.5)	(1.1)	(2.2)	(133.6)
Net value	24.2	116.9	157.4	1.5	78.8	378.8
Additions	18.2	-	-	0.4	-	18.6
Additions through business acquisitions (note 4)	1.9	33.9	1.7	0.3	1.1	38.9
Disposals	(0.2)	-	-	-	-	(0.2)
Amortization for the year	(13.3)	(28.8)	(26.8)	(1.0)	(5.9)	(75.8)
Exchange differences	0.5	18.8	16.8	-	10.2	46.3
	7.1	23.9	(8.3)	(0.3)	5.4	27.8
Balance as at December 31, 2015	31.3	140.8	149.1	1.2	84.2	406.6
<b>Balance as at December 31, 2015</b>						
Cost	78.6	171.3	242.4	2.6	92.9	587.8
Accumulated amortization	(47.3)	(30.5)	(93.3)	(1.4)	(8.7)	(181.2)
Net value	31.3	140.8	149.1	1.2	84.2	406.6
Additions	50.7	—	—	—	0.2	50.9
Additions through business acquisitions (note 4)	0.8	1.2	—	—	—	2.0
Disposals	(1.3)	—	—	(0.1)	—	(1.4)
Amortization for the year	(17.9)	(30.5)	(25.7)	(0.7)	(6.3)	(81.1)
Exchange differences	(1.6)	(3.8)	(3.6)	—	(12.3)	(21.3)
	30.7	(33.1)	(29.3)	(0.8)	(18.4)	(50.9)
Balance as at December 31, 2016	62.0	107.7	119.8	0.4	65.8	355.7
<b>Balance as at December 31, 2016</b>						
Cost	119.1	167.1	237.7	2.5	80.4	606.8
Accumulated amortization	(57.1)	(59.4)	(117.9)	(2.1)	(14.6)	(251.1)
Net value	62.0	107.7	119.8	0.4	65.8	355.7

The carrying amount of intangible assets assessed as having an indefinite useful life, which consists of the WSP trade name, is \$47.2 as at December 31, 2016 (\$58.3 in 2015).

The Corporation performed its annual impairment test for the WSP trade name as at September 25, 2016 and September 27, 2015 in accordance with its policy described in note 2. As a result, no impairment for the WSP trade name was recorded.

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During the year, the Corporation acquired intangible assets amounting to \$52.9 (\$57.5 in 2015), all of which are subject to amortization.

## 11 Goodwill

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Balance – Beginning of period</b>	2,734.3	2,067.7
Goodwill resulting from business acquisitions	164.6	413.1
Exchange differences	(115.3)	253.5
<b>Balance – End of period</b>	<u>2,783.6</u>	<u>2,734.3</u>

Goodwill amounting to \$2,783.6 (\$2,734.3 as at December 31, 2015) is allocated to the Corporation's CGUs. The carrying value of goodwill by CGU is identified in the table below:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Goodwill allocated to CGU</b>		
Canada	891.2	891.8
Americas	1,069.0	1,091.0
UK	346.8	264.1
Nordics	275.6	279.4
Australia & New Zealand	80.3	82.2
Asia	73.4	75.6
Other	47.3	50.2
	<u>2,783.6</u>	<u>2,734.3</u>

### Impairment test of goodwill

The Corporation performed its annual impairment test for goodwill as at September 25, 2016 and September 27, 2015 in accordance with its policy described in note 2. The key assumptions used to determine the fair value for the different CGUs for the most recently completed impairment calculations for 2016 and 2015 are discussed below. The Corporation has not identified any indicators of impairment at any other date and as such has not completed an additional impairment calculation. The fair value of each CGU exceeded its carrying value. As a result, no goodwill impairment was recorded.

# WSP Global Inc.

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## Valuation technique

### *Fair value less costs to sell ("FVLCS")*

The fair value of the CGUs has been determined based on the FVLCS. Fair Value Measurement is defined in IFRS 13 as a market-based measurement rather than an entity-specific measurement.

Therefore, the fair value of the CGU must be measured using the assumptions that market participants would use rather than those related specifically to the Corporation. In determining the FVLCS of the CGUs, an income approach using the discounted cash flow methodology was utilized. In addition, the market approach was employed in assessing the reasonableness of the conclusions reached.

### *Income Approach*

The discounted cash flow ("DCF") technique provides the best assessment of what each CGU could be exchanged for in an arm's length transaction as fair value is represented by the present value of expected future cash flows of the business together with the residual value of the business at the end of the forecast period. The DCF was applied on an enterprise-value basis, where the after-tax cash flows prior to interest expense are discounted using a weighted-average cost of capital ("WACC"). This approach requires assumptions regarding revenue growth rates, adjusted EBITDA and adjusted EBITDA margins, level of working capital, capital expenditures, tax rates and discount rates.

### *Market Approach*

It is assumed under the market approach that the value of a Corporation reflects the price at which comparable companies in the same industry are purchased under similar circumstances. A comparison of a CGU to similar companies in the same industry whose financial information is publicly available may provide a reasonable basis to estimate fair value. Fair value under this approach is calculated based on an adjusted EBITDA multiple compared to the average median multiple based on publicly available information for comparable companies and transaction prices.

## Key assumptions used in determining the FVLCS

### *Cash Flow Projections*

The cash flow projections, covering a five-year period ("projection period"), were based on financial projections approved by management using assumptions that reflect the Corporation's most likely planned course of action, given management's judgment of the most probable set of economic conditions, adjusted to reflect the perspective of the expectations of a market participant. Adjusted EBITDA is based on actual and estimated values in the first year of the projection period, budgeted values in the second year of the projection period, and these are increased over the projection period using an approximate growth rate for anticipated efficiency improvements. The growth rate applied to the cash flow projections for the Corporation's CGUs ranged from 2.0% to 5.0% at September 25, 2016. The Corporation also considered past experience, economic trends as well as industry and market trends in assessing reasonableness of financial projections used.

### *Discount Rate*

The discount rate (WACC) reflects the current market assessment of the risk specific to comparable companies. The discount rate was based on the weighted-average cost of equity and cost of debt for comparable companies within the industry. The discount rate represents the after tax weighted average cost of capital ("WACC"). Determining the WACC requires analyzing the cost of equity and debt separately, and takes into account a risk premium that is based on the applicable CGU. The post-tax WACC applied to the Corporation's CGUs ranged between 7.75% and 13.75%, at September 25, 2016.

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### *Terminal Growth Rate*

Growth rates used to extrapolate the Corporation's projection were determined using published industry growth rates in combination with inflation assumptions and the input of each CGU's management group based on historical trend analysis and future expectations of growth. The terminal growth rate applied to the cash flow projections for the Corporation's CGUs was 3.0% at September 25, 2016.

### *Costs to Sell*

The costs to sell for each CGU have been estimated at approximately 0.75% of the CGU's enterprise value. The costs to sell reflect the incremental costs, excluding finance costs and income taxes, which would be directly attributable to the disposal of the CGU, including legal and direct incremental costs incurred in preparing the CGU for sale.

### *Sensitivity to Changes in Assumptions*

As at September 25, 2016, the FVLCS of our Canadian CGU, in which most of our oil and gas activities are included, exceeded its carrying amount by approximately \$50.0, thus no impairment charge was necessary. With all other variables held constant, a decrease in the terminal growth rate of 12.0%; a decrease in the 5 year revenues cumulative average growth rate ("CAGR") of 38.7%; a rise in the discount rate of 2.7% or an increase in working capital requirement of 15.5% would reduce the excess of \$50.0 to nil.

The Corporation applied the income approach and used the following key assumptions in determining FVLCS of its Canadian CGU:

	2016	2015
Terminal growth rate	3.00%	3.00%
5 year revenues CAGR	15.00%	20.00%
Discount rate	9.25%	8.50%
Working capital requirement	19.30%	17.70%

With regards to the Corporation's other CGUs, no reasonably possible change in any of the key assumptions used in determining their FVLCS would have caused the carrying values of those CGUs to materially exceed their respective recoverable amounts (FVLCS) as at September 25, 2016.

## 12 Long-Term Incentive Plans ("LTIPs")

In 2011, the Corporation adopted a long term incentive plan (the "LTI Plan") for certain employees under which restricted share units or stock options could be issued. The total number of shares reserved and available for grant and issuance pursuant to the LTI Plan is limited to 2,080,950 shares. In 2014, the Corporation also adopted a Performance Share Unit Plan pursuant to which cash-settled performance share units ("PSUs") could be issued. In 2015 the Corporation adopted a Deferred Share Unit Plan pursuant to which cash-settled deferred share units ("DSUs") could be issued and in 2016 the Corporation adopted a Restricted Share Unit Plan pursuant to which cash-settled restricted share units ("RSUs") could be issued. The LTI Plan, the Performance Share Unit Plan, the Deferred Share Unit Plan and the Restricted Share Unit Plan are collectively referred to as the "LTIPs".

### **RSUs**

The RSUs are settled in cash and vest over a period of three years. The measurement of the compensation expense and corresponding liability for these awards is based on the fair value of the award, and is recorded as an expense, or recovery, over the vesting period of the award. At the end of each financial reporting period,

# WSP Global Inc.

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changes in the Corporation's payment obligation due to changes in the market value of the common shares on the TSX, or change in the number of units based on the expected Corporation's performance, are recorded as an expense or recovery. As at December 31, 2016, 79,669 RSUs were outstanding (nil in 2015). The Corporation recorded an expense of \$1.5 during the year (nil in 2015) related to the RSUs in Personnel Costs. The accrual at December 31, 2016, stood at \$1.5.

#### Stock options

Options granted under the stock option plan, to officers and employees, may be exercised during a period not exceeding ten years from the date of grant. Options vest 3 years after the date of grant. Any unexercised options will expire at the earlier of one month after the date a beneficiary ceases to be an employee or the expiration date of the stock options granted. As at December 31, 2016, 671,086 stock options were outstanding (534,995 in 2015) at exercise prices ranging from \$35.45 to 43.17. No options had vested as at December 31, 2016.

On March 31, 2014 the Board of Directors granted a single award of 20,000 stock options to an officer of the Corporation to purchase common shares of the Corporation. These stock options vest in three equal installments over a period of two years, with the first installment vesting on the date of the grant, the second on the first anniversary of the date of the grant and the third on the second anniversary of the date of the grant at an exercise price of \$35.12. These stock options may be exercised during a period not exceeding ten years from the date of the grant. As at December 31, 2016, all of the stock options had vested (13,333 in 2015). No stock options were exercised as at December 31, 2016.

The Corporation recorded a stock based compensation expense of \$1.6 during the year (\$1.2 in 2015) in Personnel Costs and the contributed surplus component of equity attributable to shareholders at December 31, 2016 stood at \$3.3.

The fair value of stock options at the grant date was measured using the Black-Scholes option pricing model. The historical share price of the Corporation's common shares is used to estimate expected volatility, and government bond rates are used to estimate the risk-free interest rate. The following table illustrates the inputs used in the measurement of the fair values of the stock options at the grant date granted during the period ended December 31, 2016 and December 31, 2015:

	2016	2015
Expected stock price volatility	20%-35%	20%-35%
Dividend	3.25%-3.75%	3.25%-3.75%
Risk-free interest rate	1.75%-2.25%	1.75%-2.25%
Expected option life	3-5 years	3-5 years
Fair value – weighted average of options issued	\$7.50-\$8.50	\$7.50-\$8.50

#### PSUs

The PSUs are settled in cash and vest if certain Corporation performance targets are met and payable at the earliest on March 25, 2017. The measurement of the compensation expense and corresponding liability for these awards is based on the fair value of the award, and is recorded as an expense or recovery over the vesting period of the award. At the end of each financial reporting period, changes in the Corporation's payment obligation due to changes in the market value of the common shares on the TSX, or change in the number of units based on the expected Corporation's performance, are recorded as an expense or recovery. As at December 31, 2016, there were 616,830 PSUs outstanding (408,680 in 2015). The Corporation recorded an expense of \$8.9 during the year (\$7.2 in 2015) related to the PSUs in Personnel Costs, and the cumulative obligation stood at \$17.3.

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## DSUs

The DSUs are settled in cash and vest as issued. The measurement of the expense and corresponding liability for these awards is based the market value of the Corporation's common shares. At the end of each financial reporting period, changes in the Corporation's payment obligation due to changes in the market value of the common shares on the TSX, or change in the number of units, are recorded as an expense or recovery. As at December 31, 2016, there are 25,756 DSUs outstanding (nil in 2015). The Corporation recorded an expense of \$1.3 (nil in 2015) related to DSUs in Personnel Costs, and paid out an amount of \$0.2 during the year, leaving the cumulative obligation at \$1.1 at December 31, 2016.

## Restricted share units

Restricted share units can be settled in cash or shares and vest over a period of three years. The measurement of the compensation expense and corresponding liability for these awards is based on the fair value of the award, and is recorded as an expense, or recovery, over the vesting period of the award. At the end of each financial reporting period, changes in the Corporation's payment obligation due to changes in the market value of the common shares on the TSX, or change in the number of units based on the expected Corporation's performance, are recorded as an expense or recovery. As at December 31, 2016, no restricted share units were outstanding (177,473 in 2015). The Corporation recorded a recovery of \$0.7 during the year (expense of \$7.1 in 2015), related to restricted share units in Personnel Costs, and paid out an amount of \$7.0 in April 2016. The accrual at December 31, 2016, stood at nil.

## 13 Accounts payable and accrued liabilities

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Trade payables	307.3	346.6
Employee benefits payable	361.5	338.3
Sale taxes	59.7	55.1
Amounts due to joint venture and associated undertakings	0.9	2.4
Accrued expenses and other payables	440.6	415.0
Provisions	172.1	171.4
	<u>1,342.1</u>	<u>1,328.8</u>
Less: Non-current provisions	74.4	72.8
Accounts payable and accrued liabilities	<u>1,267.7</u>	<u>1,256.0</u>

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	Claims provisions \$	Property provisions \$	Other provisions \$	Total \$
<b>Balance as at December 31, 2014</b>	102.3	16.2	34.1	152.6
Business acquisitions	4.5	9.1	-	13.6
Additional provision	12.1	5.4	0.2	17.7
Paid or otherwise settled	(5.9)	(1.9)	(25.3)	(33.1)
Exchange differences	13.9	2.7	4.0	20.6
<b>Balance as at December 31, 2015</b>	126.9	31.5	13.0	171.4
Business acquisitions	11.5	(5.3)	4.2	10.4
Additional provision	27.8	5.0	11.3	44.1
Paid or otherwise settled	(37.1)	0.6	(7.1)	(43.6)
Exchange differences	(5.9)	(3.2)	(1.1)	(10.2)
<b>Balance as at December 31, 2016</b>	123.2	28.6	20.3	172.1

## 14 Long-term debts

	2016 \$	2015 \$
Credit facility	1,042.7	978.9
Other long-term debts	7.4	10.5
	1,050.1	989.4
Less: Current portion	135.9	142.6
	914.2	846.8

### Credit facility

WSP has in place a US\$1,300.0 million credit facility with a syndicate of financial institutions (the "Lenders") comprised of:

- a senior unsecured revolving credit facility in the maximum amount of US\$1,000.0 million (the "Revolving Credit Facility"), maturing on December 31, 2020; and
- a senior unsecured non-revolving term credit facility which consisted of three tranches in principal amounts of US\$100.0 million, US\$100.0 million and US\$200.0 million (collectively, the "Term Facility"), maturing on October 31, 2016, October 31, 2017, and October 31, 2018, respectively. The first tranche of US\$100.0 million was repaid in October 2016.

The credit facility bears interest at Canadian prime rate, US-based rate, Bankers' acceptances rate and LIBOR plus an applicable margin up to 2.5% that will vary depending on the type of advances and the Corporation's

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ratios, as defined in the agreement with the Lenders. The Corporation pays a commitment fee on the available unused credit facility.

Under this credit facility, the Corporation is required, among other conditions, to respect certain covenants on a consolidated basis. The main covenants are in regard to its consolidated net debt to consolidated adjusted EBITDA and the interest coverage ratios, which are non-IFRS measures. Management reviews compliance with these covenants on a quarterly basis in conjunction with filing requirements under its credit facility. All covenants have been met as at December 31, 2016.

Under the credit facility, the Corporation may issue irrevocable letters of credit up to US\$250.0, decreasing the amount available on such credit facility. The Corporation issued, in the normal course of business, irrevocable letters of credit totaling \$209.0 as at December 31, 2016 (\$223.8 in 2015) for its own commitments, thus decreasing such available credit facility.

As at December 31, 2016, the Corporation had available other operating lines of credit amounting to \$20.2 (\$14.6 in 2015), of which \$19.4 (\$9.5 in 2015) were unused at year-end.

Credit facility allocation by borrowed currency:

	<b>2016</b>	<b>Base</b>	<b>2015</b>	<b>Base</b>
	<b>\$</b>	<b>currency</b>	<b>\$</b>	<b>currency</b>
US dollar	1,032.6	768.1	796.9	575.5
Sterling pound	5.3	3.2	31.3	15.3
Swedish Krona	4.8	32.5		
Emirati Dirham	—	—	1.8	4.8
Canadian dollar	—	—	148.9	148.9
	<u>1,042.7</u>		<u>978.9</u>	

The installments due on long-term debts over each of the next four years amount to \$135.9 in 2017, \$274.7 in 2018 and \$639.5 in 2020.

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### 15 Other financial liabilities

	2016	2015
	\$	\$
Bank overdraft (note 6)	0.3	1.9
Loan Payable	3.5	3.9
Notes payable	11.7	14.3
Obligations under finance leases	16.5	3.4
	<u>32.0</u>	<u>23.5</u>
Less: Current portion	18.1	18.7
	<u>13.9</u>	<u>4.8</u>

The installments due on financial liabilities over each the next three years amount to \$18.1 in 2017, \$8.5 in 2018 and \$5.4 in 2019.

### 16 Pensions schemes

Pension costs included in personnel costs consist of the following:

	2016	2015
	\$	\$
Defined benefit pension schemes	3.5	9.2
Defined contribution pension schemes	77.4	69.9
	<u>80.9</u>	<u>79.1</u>

The Corporation operated both defined contribution and defined benefit pension schemes. Defined contributions are charged to the consolidated statements of earnings as they are incurred.

In Canada, the Corporation has defined contribution retirement savings plans for its employees. Pursuant to these plans, the Corporation pays a contribution equivalent to the employee contribution up to a maximum varying from 3% to 5% of the employee's salary. An employee acquires the whole employer contributions after two years of continuous service or if he loses his job due to a layoff resulting from a lack of work.

In the United Kingdom, there are five separate defined benefit schemes, all of which are closed to new members. The assets of the schemes are held separately from those of the Corporation in independently administered funds.

In Sweden, a proportion of the multi-employer Government-run defined benefit plan is carried on the Corporation's consolidated statement of financial position. Future service accrual under this arrangement ceased in 2008 where the employees became fully included in the Government plan's arrangements. The multi-employer Government plan retains substantial other assets to meet the balance of pension liabilities. As the directors are unable to identify the underlying assets and liabilities of this element of the scheme, it is treated as a defined contribution scheme for the purposes of IAS 19 "Employee Benefits."

# WSP Global Inc.

Notes to consolidated financial statements

## For the years ended December 31, 2016, and 2015

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In the USA, as a result of the acquisition of Parsons Brinckerhoff in 2014, the Corporation maintains a deferred compensation plan accounted for under IAS 19 where an element of employee's compensation is deferred and invested in available-for-sale assets (as disclosed in note 8) in a trust, the assets of which are for the ultimate benefit of the employees but are available to the Corporation's creditors in the event of insolvency.

For funded and unfunded defined benefit plans, any deficit of the fair value of plan assets over the present value of the defined benefit obligation is recognized as a liability in the consolidated statement of financial position. Actuarial gains and losses are recognized in full as they arise in the consolidated statement of comprehensive income. These reflect changes in actuarial assumptions, and differences between actuarial assumptions and what has actually occurred.

The actuarial cost charged to the consolidated statements of earnings in respect of defined benefit plans consists of current service costs, net interest on defined benefit liability (asset), past service costs and costs of curtailments.

The liabilities of the Corporation arising from defined benefit obligations and their related current service cost are determined using the projected unit credit method. Valuations are performed annually. Actuarial advice is provided by both external consultants and actuaries. The actuarial assumptions used to calculate the benefit obligations vary according to the economic conditions of the country in which the plan is located and are set out below. To develop the expected long-term rate of return on assets assumption, the Corporation considered the current level of expected returns on risk-free investments (primarily UK government bonds) and the historical level of risk premium associated with the other asset classes in which the portfolio is invested. The expected return for each asset class was then applied to the schemes' asset allocations to develop the overall expected long-term rate of return on assets for the combined portfolios.

# WSP Global Inc.

Notes to consolidated financial statements

**For the years ended December 31, 2016, and 2015**

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## Assumptions

	2016	2015
<b>United Kingdom</b>		
Rate of increase in pensionable salaries	-	-
Rate of increase in pensions in payment	1.85% to 3.65%	1.75% to 3.05%
Discount rate	2.65%	3.95%
Inflation assumption	2.25% to 3.25%	2.10% to 3.10%
Life expectancy at age 65 (for member currently aged 65)		
– Men	88.0	87.9
– Women	90.4	90.2
<b>Sweden</b>		
Rate of increase in pensionable salaries	-	-
Rate of increase in pensions in payment	-	-
Discount rate	2.85%	3.25%
Inflation assumption	1.50%	1.50%
Life expectancy at age 65 (for member currently aged 65)		
– Men	87.0	86.9
– Women	89.0	89.5
<b>United States</b>		
Discount rate	2.75% to 3.40%	2.80% to 3.55%

The major categories of plan assets pertaining to the UK defined benefits pension schemes are as follows:

	December 31, 2016		December 31, 2015	
	Fair value \$	%	Fair value \$	%
Equities	68.4	39	75.4	41
Bonds	93.4	53	86.8	47
Other	15.4	8	23.3	12

As at December 31, 2016 approximately 39% (41% in 2015) of the plan assets are directly invested in publicly traded securities. As well, the plan invests in pooled funds which are not publicly traded but have underlying securities which are publicly traded.

# WSP Global Inc.

Notes to consolidated financial statements

**For the years ended December 31, 2016, and 2015**

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	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Fair value of plan assets (United Kingdom)	177.2	185.5
Present value of funded obligations (United Kingdom)	(235.4)	(232.0)
Deficit (United Kingdom)	(58.2)	(46.5)
Present value of unfunded obligations (Sweden)	(39.5)	(40.2)
Present value of unfunded obligations (United States)	(120.4)	(120.2)
Present value of unfunded obligations (Norway)	—	(1.8)
Pension liability	(218.1)	(208.7)

Amounts recognized in the consolidated statements of earnings are as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Current service costs	3.5	9.2

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Interest expenses	12.1	12.9
Expected return on plan assets	(6.5)	(6.0)
Net finance expenses on pension obligations	5.6	6.9

# WSP Global Inc.

Notes to consolidated financial statements

**For the years ended December 31, 2016, and 2015**

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Changes in the present value of the defined benefit obligation are as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Present value of obligation – Beginning balance</b>	394.2	383.4
Defined Benefit plan from acquisition	—	1.8
Current service costs	3.5	9.2
Contributions from scheme members	0.3	0.4
Benefits paid	(18.1)	(20.0)
Interest expenses	12.1	12.9
Actuarial (gain)/loss (assumptions)	53.4	(40.2)
Actuarial (gain)/loss (experience)	5.6	(6.8)
Foreign exchange differences	(55.7)	53.5
<b>Present value of obligation – End of year</b>	<b>395.3</b>	<b>394.2</b>

Changes in the fair value of plan assets are as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Fair value of plan assets – Beginning balance</b>	185.5	154.8
Expected return on plan assets	6.5	6.0
Contributions from scheme members	0.3	0.4
Contributions from employer	12.1	13.0
Benefits paid	(7.3)	(6.7)
Actuarial gain/(loss) (experience)	17.7	(2.7)
Foreign exchange differences	(37.6)	20.7
<b>Fair value of plan assets – End of year</b>	<b>177.2</b>	<b>185.5</b>

# WSP Global Inc.

Notes to consolidated financial statements

**For the years ended December 31, 2016, and 2015**

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

Analysis of the movement in net deficit

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Beginning balance</b>	208.7	228.6
Defined Benefit plan from acquisition	—	1.8
Current service costs	3.5	9.2
Net interest expenses	5.6	6.9
Benefits paid	(10.8)	(13.3)
Contributions	(12.1)	(13.0)
Net actuarial loss/(gain) recognized in the period	41.3	(44.3)
Foreign exchange movements	(18.1)	32.8
<b>End of year</b>	<b>218.1</b>	<b>208.7</b>

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Present value of scheme assets	177.2	185.5
Fair value of scheme liabilities	(395.3)	(394.2)
Deficit	<b>(218.1)</b>	<b>(208.7)</b>

Cumulative actuarial (losses)/gains recognized in equity are as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Beginning balance</b>	31.3	(13.0)
Net actuarial (loss)/gain recognized in the year	(41.3)	44.3
<b>Balance – End of year</b>	<b>(10.0)</b>	<b>31.3</b>

The Corporation's defined benefit plans expose it to interest risk, inflations risk, longevity risk, currency risk and market investment risk. Sensitivity analysis of the overall pension deficit to changes in principal assumptions is shown below:

<b>Assumption</b>	<b>Change</b>	<b>Impact on deficit</b>
Discount rate	+/- 0.1%	Decrease/increase \$5.5
Inflation rate	+/- 0.1%	Decrease/increase \$3.0
Mortality	+/- 1 year	Decrease/increase \$11.2

The combined employee and employer contributions expected to be paid in 2017, pertaining to the Corporation's defined benefit pension schemes are expected to be approximately \$14.0.

# WSP Global Inc.

Notes to consolidated financial statements

## For the years ended December 31, 2016, and 2015

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

### 17 Share capital

#### *Authorized*

An unlimited number of common shares without par value, voting and participating.

An unlimited number of preferred shares without par value, participating, issuable in series.

#### *Issued and paid*

	Common shares	
	Number	\$
<b>Balance as at January 1, 2015</b>	88,588,720	1,976.6
Shares issued to business acquisitions <sup>(1)</sup>	718,207	29.6
Shares issued related to public bought deals and private placements <sup>(2)</sup>	8,165,668	333.3
Shares issued under the DRIP	1,783,262	70.2
<b>Balance as at December 31, 2015</b>	99,255,857	2,409.7
Shares issued under the DRIP (note 22)	2,115,280	81.9
<b>Balance as at December 31, 2016</b>	101,371,137	2,491.6

As at December 31, 2016, no preferred shares were issued.

<sup>(1)</sup> In connection with acquisitions of SPL completed on April 1, 2015, Levelton completed on July 1, 2015 and MMM completed on September 15, 2015.

<sup>(2)</sup> On September 16, 2015, WSP entered into an agreement with Underwriters which purchased, on a bought deal basis by way of a short form prospectus, 4,142,000 common shares of WSP from treasury at a price of \$42.25 per common share. In addition, the Underwriters were granted an Over-Allotment option, which was exercised in its entirety. In total, 4,763,300 common shares were issued for gross proceeds of approximately \$201.0.

Also on September 16, 2015, the Canada Pension Plan Investment Board ("CPPIB and the "Caisse purchased, on a private placement basis, an aggregate of 2,958,580 common shares at a price of \$42.25 per common share. The CPPIB and the Caisse were each granted with an option to purchase additional common shares of WSP representing up to 15% of the number of common shares subscribed by them on closing subject to the Over-Allotment Option being exercised by the Underwriters. The CPPIB and the Caisse both exercised their Over-Allotment option, in its entirety. In total, 3,402,368 common shares were issued to the CPPIB and the Caisse for gross proceeds of approximately \$144.0.

Total Issuance-related costs of these transactions of \$13.9 less a tax recovery of \$2.2, are accounted for against the gross proceeds.

# WSP Global Inc.

Notes to consolidated financial statements

**For the years ended December 31, 2016, and 2015**

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## 18 Capital management

The Corporation's primary objectives when managing capital structure are as follows:

- maintain financial flexibility in order to meet financial obligations, to provide dividends, to execute growth plan and to continue growth through business acquisitions;
- manage the Corporation's activities in a responsible way in order to provide an adequate return for its shareholders; and
- comply with financial covenants required under the credit facility.

For capital management, the Corporation has defined its capital as the combination of long-term debts, loan payable, shareholders' equity and non-controlling interest, net of cash (net of bank overdraft). The non-recourse debts are excluded.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Long-term debts	914.2	989.4
Loan payable (note 15)	3.5	3.9
Shareholders' equity	2,859.6	2,916.4
Non-controlling interest	0.9	(4.7)
	<u>3,778.2</u>	<u>3,905.0</u>
Less: Cash net of bank overdraft	(230.5)	(202.2)
	<u>3,547.7</u>	<u>3,702.8</u>

The Corporation's financing strategy is to maintain a flexible structure consistent with the objectives stated above, to respond adequately to changes in economic conditions and to allow growth through business acquisitions. The Corporation monitors its capital structure using the consolidated net debt to consolidated adjusted EBITDA ratio. This ratio is used to determine what would be the maximum debt level.

In order to maintain and adjust its capital structure, the Corporation may issue new shares in the market, contract bank advances and negotiate new credit facilities.

# WSP Global Inc.

Notes to consolidated financial statements

## For the years ended December 31, 2016, and 2015

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

### 19 Acquisition and integration costs

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Business acquisition related costs	3.1	4.3
Business integration related costs	29.8	68.0
Loss / (Gain) on sale of equity interest in associate/s	—	(68.4)
	<u>32.9</u>	<u>3.9</u>

*Included in Acquisition and integration costs are personnel costs of \$7.8 and \$38.4 for 2016 and 2015, respectively.*

*Business integration related costs pertain to costs incurred for the integration of acquired businesses for a period of up to 24 months from the date of acquisition.*

### 20 Net finance expenses

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Interest related to credit facilities	26.2	30.5
Net finance expenses on pension obligations	5.6	6.9
Exchange loss / (gain) on assets/liabilities in foreign currencies	4.8	(1.8)
Other interest and bank charges	7.3	5.5
Loss/(gain) on sale of assets available for sale	(5.0)	(6.1)
Interest income	(1.7)	(1.8)
	<u>37.2</u>	<u>33.2</u>

### 21 Income taxes

The components of income tax expense (recovery) for 2016 and 2015 were as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Current tax</b>		
Current tax on earnings for the year	71.9	33.5
Adjustments in respect of prior years	15.2	10.6
Total current tax	<u>87.1</u>	<u>44.1</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(3.9)	34.3
Impact of change in tax rates	0.2	1.3
Adjustments in respect of prior years	(16.3)	(7.9)
Total deferred tax	<u>(20.0)</u>	<u>27.7</u>
<b>Total income tax expenses</b>	<u>67.1</u>	<u>71.8</u>

# WSP Global Inc.

Notes to consolidated financial statements

## For the years ended December 31, 2016, and 2015

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

The reconciliation of the difference between the income tax expenses using the combined Canadian federal and provincial statutory tax rate of 26.9% and the actual effective tax rate is as follows:

	<b>2016</b>		<b>2015</b>	
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
Earnings before income tax expense	265.8	—	260.4	—
Expected income tax expense at the combined Canadian federal and provincial statutory rate	71.5	26.9	70.1	26.9
Changes resulting from:				
Foreign tax rate differences	(10.3)	(3.8)	(7.7)	(3.0)
Non-deductible expenses/(non-taxable income), net	5.1	1.9	(5.2)	(2.0)
Unrecognized tax benefits, net	3.6	1.4	8.6	3.3
Adjustments in respect of prior years	(1.1)	(0.4)	2.7	1.1
Effect of change in tax rates	0.2	(0.1)	1.3	0.5
Other items	(1.9)	(0.7)	2.0	0.8
	<b>67.1</b>	<b>25.2</b>	<b>71.8</b>	<b>27.6</b>

In 2016, unrecognized tax benefits, net, represented the impact of unrecognized current and prior years tax benefits related mostly to foreign subsidiaries where recovery is not considered probable, partly offset by recognized deferred tax assets for our Australian operations following improved earnings in 2016.

In 2015, the favorable impact of non-deductible expenses/(non-taxable income), net, was mostly due to a non-taxable gain of \$68.4 related to the sale of the Corporation's equity investments in two associates (note 19), partly offset by various non-deductible expenses. Also in 2015, unrecognized tax benefits, net, represented unrecorded tax benefits for various foreign subsidiaries where recovery was not considered probable.

# WSP Global Inc.

## Notes to consolidated financial statements

### For the years ended December 31, 2016, and 2015

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

As at December 31, 2016, and 2015, the significant components of deferred income tax assets and liabilities were as follows:

	<b>2016</b>						
	As at January 1	Credited (charged) to statement of earnings	Credited (charged) to other compre- hensive income	Charged directly to equity	Business acqui- sitions	Exchange differences	As at December 31
	\$	\$	\$	\$	\$	\$	\$
<b>Deferred income tax assets</b>							
Deductible provisions upon settlement	113.5	(4.1)	—	—	3.1	(3.3)	109.2
Tax loss carry forwards	30.9	(1.6)	(0.6)	—	—	(2.8)	25.9
Pension Plan	50.4	12.2	5.7	—	—	(3.2)	65.1
Deferred issuance-related costs	9.0	(3.2)	—	0.1	—	—	5.9
Property, plant and equipment	8.3	(2.6)	—	—	0.1	(1.3)	4.5
Other temporary differences	5.2	30.7	—	—	(2.2)	0.2	33.9
	<u>217.3</u>	<u>31.4</u>	<u>5.1</u>	<u>0.1</u>	<u>1.0</u>	<u>(10.4)</u>	<u>244.5</u>
<b>Deferred income tax liabilities</b>							
Costs and anticipated profits in excess of billings	(70.9)	(14.3)	—	—	—	4.9	(80.3)
Holdbacks	(26.4)	7.4	—	—	—	0.8	(18.2)
Property, plant and equipment	(4.1)	(25.0)	—	—	—	(0.2)	(29.3)
Intangible assets and goodwill	(108.7)	12.4	—	—	—	4.8	(91.5)
Other temporary differences	(21.5)	8.1	0.5	—	—	0.6	(12.3)
	<u>(231.6)</u>	<u>(11.4)</u>	<u>0.5</u>	<u>—</u>	<u>—</u>	<u>10.9</u>	<u>(231.6)</u>
<b>Total</b>	<b>(14.3)</b>	<b>20.0</b>	<b>5.6</b>	<b>0.1</b>	<b>1.0</b>	<b>0.5</b>	<b>12.9</b>

Included in total deferred income tax assets of \$244.5 as at December 31, 2016 is an amount of \$75.4 expected to be recovered in the next twelve months.

Included in total deferred income tax liabilities of \$231.6 as at December 31, 2016 is an amount of \$105.8 expected to be settled in the next twelve months.

# WSP Global Inc.

Notes to consolidated financial statements

**For the years ended December 31, 2016, and 2015**

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

2015

	As at January 1	Credited (charged) to statement of earnings	Credited (charged) to other compre- hensive income	Charged directly to equity	Business acquisi- tions	Exchange differences	As at December 31
	\$	\$	\$	\$	\$	\$	\$
<b>Deferred income tax assets</b>							
Deductible provisions upon settlement	112.5	(17.4)	—	—	1.0	17.4	113.5
Tax loss carry forwards	24.9	3.2	1.1	—	—	1.7	30.9
Pension Plan	57.9	(7.9)	(10.2)	—	0.8	9.8	50.4
Deferred issuance-related costs	8.9	(2.1)	—	2.2	—	—	9.0
Property, plant and equipment	7.3	—	—	—	—	1.0	8.3
Other temporary differences	5.3	(4.2)	—	—	3.3	0.8	5.2
	<u>216.8</u>	<u>(28.4)</u>	<u>(9.1)</u>	<u>2.2</u>	<u>5.1</u>	<u>30.7</u>	<u>217.3</u>
<b>Deferred income tax liabilities</b>							
Costs and anticipated profits in excess of billings	(50.1)	(11.4)	—	—	(4.9)	(4.5)	(70.9)
Holdbacks	(14.1)	(7.2)	—	—	(2.1)	(3.0)	(26.4)
Property, plant and equipment	(2.8)	1.4	—	—	(2.7)	—	(4.1)
Intangible assets and goodwill	(99.0)	15.2	—	—	(9.4)	(15.5)	(108.7)
Other temporary differences	(14.0)	2.7	(4.4)	—	(1.0)	(4.8)	(21.5)
	<u>(180.0)</u>	<u>0.7</u>	<u>(4.4)</u>	<u>—</u>	<u>(20.1)</u>	<u>(27.8)</u>	<u>(231.6)</u>
<b>Total</b>	<b><u>36.8</u></b>	<b><u>(27.7)</u></b>	<b><u>(13.5)</u></b>	<b><u>2.2</u></b>	<b><u>(15.0)</u></b>	<b><u>2.9</u></b>	<b><u>(14.3)</u></b>

Included in total deferred income tax assets of \$217.3, as at December 31, 2015, is an amount of \$62.8 expected to be recovered in the next twelve months.

Included in total deferred income tax liabilities of \$231.6, as at December 31, 2015, is an amount of \$111.8 expected to be settled in the next twelve months.

# WSP Global Inc.

## Notes to consolidated financial statements

### For the years ended December 31, 2016, and 2015

(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

The deferred income taxes are presented as follows on the consolidated statements of financial position:

	2016	2015
	\$	\$
Deferred income tax assets	78.9	55.6
Deferred income tax (liabilities)	(66.0)	(69.9)
Net Deferred income tax assets/(liabilities)	12.9	(14.3)

As at December 31, 2016, the Corporation recognized deferred income tax assets of \$25.9 (\$30.9 as at December 31, 2015) related to certain subsidiaries tax losses of the current and prior years. The deferred income tax assets are recognized, as the Corporation believes it is probable that taxable profits will be available in the future against which the tax loss carry forwards can be utilized.

As at December 31, 2016, the Corporation had \$35.1 of unrecognized deferred income tax assets related to \$129.6 of tax loss carry forwards, of which \$49.5 expire between 2017 and 2036 with the remainder having no expiry, and \$12.1 of gross temporary differences with no expiry. The Corporation considers the recovery of those unrecognized deferred income tax assets as not probable.

A deferred income tax liability relating to taxable temporary differences amounting to \$121.0 as at December 31, 2016 (\$72.0 as at December 31, 2015), associated with the undistributed earnings of subsidiaries, has not been recognized, as the Corporation controls the timing of the reversal of these temporary differences and does not expect they will reverse in the foreseeable future. Upon distribution of these earnings in the form of dividends or otherwise, the Corporation may be subject to corporation or withholding taxes.

## 22 Dividends

The Corporation aims to declare and pay cash dividends on a quarterly basis to shareholders. The total amount of dividends declared by the Corporation for the fourth quarter ended December 31, 2016 was \$38.0 or \$0.375 per share.

The total amount of dividends declared by the Corporation for the year ended December 31, 2016 was \$150.8 (\$141.2 in 2015).

### *Dividend reinvestment plan (DRIP)*

Under the DRIP, the holders of common shares may elect to have cash dividends reinvested into additional common shares. The shares to be delivered can be purchased on the open market or issued from treasury at the discretion of Management. The shares issued from treasury can be issued at a discount of up to 5.0% of the applicable average market price.

During the year, \$81.9 was reinvested in 2,115,280 common shares under the DRIP (note 17).

On January 16, 2017, on the payment of the fourth quarter dividend, \$21.3 was reinvested in 487,744 additional shares under the DRIP.

# WSP Global Inc.

Notes to consolidated financial statements

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## 23 Statements of cash flows

### a) Adjustments

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Depreciation and amortization	159.5	140.0
Loss/(Gain) on disposal of equity investments in associates and joint ventures	—	(68.4)
Share of income per statements of earnings of associates and JVs (net of tax)	(0.1)	(3.1)
Defined benefit pension schemes expense	(3.5)	9.2
Cash contribution to defined benefit pension schemes	(12.1)	(13.0)
Foreign exchange and non-cash movements	4.2	(0.4)
Others	(14.8)	(4.6)
	<u>133.2</u>	<u>59.7</u>

### b) Change in non-cash working capital items

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Decrease (increase) in:		
Trade, prepaid and other receivables	93.1	(15.2)
Costs and anticipated profits in excess of billings	(16.4)	(118.2)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(43.9)	(60.1)
Billings in excess of costs and anticipated profits	(35.6)	76.2
	<u>(2.8)</u>	<u>(117.3)</u>

### c) Transactions not affecting cash

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Additions to intangible assets and prepaids through the assumption of a finance lease and financial liabilities	15.3	2.0

# WSP Global Inc.

Notes to consolidated financial statements

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(in millions of Canadian dollars, except the number of shares and per share data and unless otherwise stated)

## 24 Related party transactions

**Controlled entities** The Corporation controls and consolidates an entity when the Corporation is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The table below lists the Corporation's most significant subsidiaries.

Entity	Country of incorporation	Interest	
		2016	2015
WSP Canada Inc.	Canada	100%	100%
Parsons Brinckerhoff Holdings Inc.	USA	100%	100%
WSP USA Corp	USA	100%	100%
WSP Colombia S.A.S.	Colombia	100%	100%
WSP UK Limited.	United Kingdom	100%	100%
Parsons Brinckerhoff Limited (UK)	United Kingdom	100%	100%
WSP Sverige AB	Sweden	100%	100%
WSP France SAS	France	100%	100%
WSP Middle East Ltd	Jersey	100%	100%
Parsons Brinckerhoff International LLC	Qatar	100%	100%
Parsons Brinckerhoff Africa (Pty) Limited	South Africa	100%	100%
WSP Asia Limited	Hong Kong	100%	100%
WSP Hong Kong Limited	Hong Kong	100%	100%
Shanghai WSP Consulting Ltd	Shanghai	100%	100%
Parsons Brinckerhoff (Asia) Ltd	Hong Kong	100%	100%
Parsons Brinckerhoff International Pty	Australia	100%	100%
WSP Asia Pacific Pty Ltd	Australia	100%	100%
WSP Australia Holdings Pty Ltd	Australia	100%	100%
PB Australia Pty Limited	Australia	100%	100%

### Key management compensation\*

Key management includes the members of the Board, the President and Chief Executive Officer, the Chief Financial Officer and the members of the GLT. The compensation paid or payable to key management is shown below:

	2016	2015
	\$	\$
Short-term employee benefits	14.8	9.4
Share-based payments	8.3	10.7
	<u>23.1</u>	<u>20.1</u>

\*:Members of key management may have employment agreements with clauses for payment in case of termination without cause and payment in case of termination of employment following a change in control. All such employment agreements are for an indeterminate term and include confidentiality covenants which apply indefinitely. Please refer to WSP Global Inc.'s 2016 Management Information Circular for details applicable to the Corporation's five most highly compensated individuals, all of whom are a part of key management.

# WSP Global Inc.

Notes to consolidated financial statements

**For the years ended December 31, 2016, and 2015**

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## 25 Financial instruments

### Fair value

Cash, trade and other receivables, costs and anticipated profits in excess of billings, accounts payable, dividends payable to shareholders, bank overdrafts, long-term debts, other non-current liabilities, and obligations under finance leases are financial instruments whose fair values approximate their carrying values due to their short-term maturity, variable interest rates or current market rates for instruments with fixed rates.

The fair value hierarchy under which the Corporation's financial instruments are valued is as follows:

- Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly;
- Level 3 includes inputs for the assets or liability that are not based on observable market data.

As at December 31, 2016, and 2015, available for sale assets' fair values are valued under Level 1. Foreign currency risk based financial instruments' fair values, notably foreign currency forward contracts and cross currency swap agreements, are valued under Level 2.

### Financial risk management

The Corporation is exposed to credit risk, foreign currency risk, interest rate risk and liquidity risk. The following analyses provide a measurement of those risks as at December 31, 2016, and 2015.

#### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Financial instruments which potentially subject the Corporation to significant credit risk consist principally of cash, trade and other receivables, and costs and anticipated profits in excess of billings. The Corporation's maximum amount of credit risk exposure is limited to the carrying amount of these financial instruments, which is \$2,364.8 as at December 31, 2016, and \$2,444.0 as at December 31, 2015.

The Corporation's cash is held with leading financial institutions. Therefore, the Corporation considers the risk of non-performance on these instruments to be minimal.

The Corporation's credit risk is principally attributable to its trade receivables and costs and anticipated profits in excess of billings. The amounts disclosed in the consolidated statements of financial position are net of an allowance for doubtful accounts, estimated by the Corporation's Management and based, in part, on the age of the specific receivable balance and the current and expected collection trends. Generally, the Corporation does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Corporation performs ongoing credit reviews of all its customers and establishes an allowance for doubtful accounts when the likelihood of collecting the account has significantly diminished. The Corporation believes that the credit risk of trade accounts receivable is limited. During the year ended December 31, 2016, and 2015, bad debts accounted for were not significant.

# WSP Global Inc.

## Notes to consolidated financial statements

### For the years ended December 31, 2016, and 2015

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The Corporation mitigates its credit risk by providing services to diverse clients in various market segments, countries and sectors of the economy.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation operates internationally and is exposed to currency risks arising from its operating activities denominated in US dollars, Sterling pound, Swedish krona, Australian dollars, Euros and other currencies as well as to its net assets in foreign operations. These risks are partially offset by purchases and operating expenses incurred in these currencies.

The Corporation has investments in foreign operations, whose net assets are exposed to foreign currency risk. This risk is partly offset through borrowings denominated in the relevant foreign currency. The exchange gains or losses on the net equity investment of these operations are reflected in the accumulated other comprehensive income (loss) account in shareholders' equity, as part of the currency translation adjustment.

During the fourth quarter of 2016, the Corporation entered into cross currency swap agreements for a nominal amount of US\$357.3 to hedge a portion of its US denominated debt at a US/CAD rate of 1.3294 and a nominal amount of US\$111.4 to hedge a portion of its Sterling pound denominated debt at a US/GBP rate of 0.8115. The total fair market value gain amounted to US\$2.5 (net of tax of US\$1.7) and has been recorded in the statement of earnings. All cross currency swap agreements expire in the first quarter of 2017.

As well, the Corporation entered into foreign currency forward contracts for a nominal amount of US\$24.0 million to hedge the variability in the expected foreign currency exchange rate between the US dollar and the Canadian dollar at a US-CAD rate of 1.3500. The fair market gain/loss amounted to US\$0.2 (net of tax of nil) and was recorded in the statement of earnings. The foreign currency forward currency contracts come to maturity in 2017.

Taking into account the amounts denominated in foreign currencies and presuming that all of the other variables remain unchanged, a fluctuation in exchange rates would have an impact on the Corporation's net earnings. Management believes that a 10% change (10% in 2015) in exchange rates could be reasonably possible.

The table below summarizes the impacts of a 10% weakening or strengthening in the exchange rates on the net earnings and statement of other comprehensive income:

	2016			
	US Dollar	Sterling Pound	Swedish Krona	Australian Dollar
Net earnings	4.0	2.4	0.7	2.4
Other comprehensive income	0.9	1.3	11.4	0.2

  

	2015			
	US Dollar	Sterling Pound	Swedish Krona	Australian Dollar
Net earnings	12.1	1.8	3.0	0.7
Other comprehensive income	12.9	9.2	2.5	3.1

# WSP Global Inc.

Notes to consolidated financial statements

## For the years ended December 31, 2016, and 2015

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### Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation's exposure to the risk of changes in market interest rates relates primarily to its bank advances, notes payable and certain long-term debts with floating interest rates. This risk is partially offset by cash held at variable rates.

A 1% fluctuation in interest rates would not have a material impact on the Corporation's net earnings.

### Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its obligations as they fall due.

A centralized treasury function ensures that the Corporation maintains funding flexibility by assessing future cash flow expectations and by maintaining sufficient headroom on its committed borrowing facilities. Borrowing limits, cash restrictions and compliance with debt covenants are also taken into account.

The Corporation watches for liquidity risks arising from financial instruments on an ongoing basis. Management monitors the liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. WSP has access to committed lines of credit with banks (note 14).

The tables below present the contractual maturities of financial liabilities as at December 31, 2016, and 2015. The amounts disclosed are contractual undiscounted cash flows.

	<b>2016</b>				
	<b>Carrying amount \$</b>	<b>Contractual cash flows \$</b>	<b>Less than a year \$</b>	<b>Between 1 and 2 years \$</b>	<b>More than 2 years \$</b>
Accounts payable and accrued liabilities, including non-current portion of provisions	1,342.1	1,342.1	1,267.7	74.4	—
Dividends payable to shareholders	38.0	38.0	38.0	—	—
Long-term debts, including current portion	1,050.1	1,142.6	138.9	284.2	719.5
Financial liabilities, including current portion	32.0	32.5	18.1	8.9	5.5
	<b>2,462.2</b>	<b>2,555.2</b>	<b>1,462.7</b>	<b>367.5</b>	<b>725.0</b>

# WSP Global Inc.

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**For the years ended December 31, 2016, and 2015**

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	<b>2015</b>				
	<b>Carrying amount \$</b>	<b>Contractual cash flows \$</b>	<b>Less than a year \$</b>	<b>Between 1 and 2 years \$</b>	<b>More than 2 years \$</b>
Accounts payable and accrued liabilities, including non-current portion of provisions	1,328.8	1,328.8	1,256.0	72.8	—
Dividends payable to shareholders	37.2	37.2	37.2	—	—
Long-term debts, including current portion	989.4	1,009.3	142.6	142.6	724.1
Financial liabilities, including current portion	23.5	23.8	18.7	4.5	0.6
	<b>2,378.9</b>	<b>2,399.1</b>	<b>1,454.5</b>	<b>219.9</b>	<b>724.7</b>

As at December 31, 2016, the Corporation had unused credit facilities of \$495.8 (\$736.0 in 2015), net of outstanding letters of credit of \$209.0 (\$223.8 in 2015), and cash net of bank overdraft of \$230.5 (\$202.2 in 2015).

## 26 Commitments and contingencies

### Leases

The Corporation leases various office premises and equipment under non-cancellable operating lease agreements. The lease terms vary from six months to ten years, and the majority of lease agreements can be renewed at market rates.

The lease expenditure included in the consolidated statements of earnings amounted to \$194.2 for the year ended December 31, 2016 (\$184.3 for the year ended December 31, 2015).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>2016 \$</b>	<b>2015 \$</b>
No later than 1 year	182.5	180.9
Later than 1 year and no later than 5 years	564.1	418.6
Later than 5 years	203.0	280.3
	<b>949.6</b>	<b>879.8</b>

# WSP Global Inc.

Notes to consolidated financial statements

**For the years ended December 31, 2016, and 2015**

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## Contingencies

The Corporation is currently facing legal proceedings for work carried out in the normal course of its business. The Corporation takes out a professional liability insurance policy in order to manage the risks related to such proceedings. Based on advice and information provided by its legal advisers and on its experience in the settlement of similar proceedings, Management believes that the Corporation has accounted for sufficient provisions in that regard and that the final settlement should not exceed the insurance coverage significantly or should not have a material effect on the financial position or operating results of the Corporation.

As a government contractor, the Corporation may be subject to laws and regulations that are more restrictive than those applicable to non-government contractors. Government scrutiny of contractors' compliance with those laws and regulations through audits and investigations is inherent in government contracting, and, from time to time, Management receives inquiries and similar demands related to the Corporation's ongoing business with government entities. Since 2012, the Corporation has been the object of investigations and search warrants initiated by the Unité Permanente Anticorruption (UPAC) and the Competition Bureau in several regions within the Province of Québec. Some of the investigations conducted by the Competition Bureau have been referred for consideration to the Public Prosecution Service of Canada. On February 11, 2013, the Corporation announced that it was in possession of information confirming that inappropriate conduct in the Province of Québec in the financing of political parties and the awarding of municipal contracts had occurred in the past. As of February 28, 2017, the Corporation had received letters of demand from a few cities requesting the Corporation to participate in the voluntary reimbursement program established pursuant to Bill 26, *An Act to ensure mainly the recovery of amounts improperly paid as a result of fraud or fraudulent tactics in connection with public contracts*, enacted in April 2015. The Corporation had indicated as early as March 2016 that it was participating in the voluntary reimbursement program. Due to the implementation of the voluntary reimbursement program by the Québec government in November 2015, public bodies are prevented, until the voluntary reimbursement program is closed, from presenting their own civil claims for reimbursement of amounts improperly paid unless they receive prior authorization from the Minister of Justice. To date, no charges have been brought against the Corporation nor has the Corporation received any claims for fines, penalties or other monetary compensation in relation to the investigations initiated by the UPAC and the Competition Bureau. The Corporation is taking steps to address these contingencies but cannot predict at this time the final outcome, potential losses or amounts that may have to be reimbursed to any governmental authorities, if any, with respect to any investigation by such governmental authorities in respect of these facts, including the possibility that their scope may be broadened which could have an impact on its future results of operations.

# WSP Global Inc.

Notes to consolidated financial statements

**For the years ended December 31, 2016, and 2015**

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## 27 Segment information

### (a) Major customers

As at December 31, 2016, and 2015, no individual customer represented more than 10% of the Corporation's consolidated revenues or in trade receivables.

### (b) Segmented information

The Corporation manages through four reportable operating segments, which are the following: Canada, Americas (USA and Latin America), EMEIA (Europe, Middle East, India and Africa) and APAC (Asia-Pacific, comprising mainly Asia and Australia).

The GLT assesses the performance of the operating segments based on revenues, net revenues and adjusted EBITDA before Global Corporate costs. Adjusted EBITDA before Global Corporate costs excludes items such as business acquisition transaction and integration expenses, and Global Corporate costs, which the Corporation believes should not be considered when assessing its underlying financial performance. Global Corporate costs are expenses and salaries related to centralized functions, like global finance, human resources and technology teams, which are not allocated to segments. This measure also excludes the effects of financial expenses, depreciation, amortization and income taxes.

Sales between segments are carried out at arm's length and are eliminated upon consolidation. Intersegmental revenues represented approximately 1% of total revenues in 2016 (approximately 1.5% in 2015).

The revenues reported to the GLT are measured in a similar manner as in the consolidated statements of earnings and exclude intersegmental revenues.

The tables below present the Corporation's operations based on reportable operating segments.

					<b>2016</b>
	<b>Canada</b>	<b>Americas</b>	<b>EMEIA</b>	<b>APAC</b>	<b>Total</b>
Revenues	1,145.5	2,302.1	2,147.0	785.0	6,379.6
Less: Subconsultants and direct costs	(193.5)	(823.8)	(362.0)	(105.2)	(1,484.5)
Net revenues	952.0	1,478.3	1,785.0	679.8	4,895.1
Adjusted EBITDA before Global Corporate costs	91.3	201.4	190.3	66.5	549.5
Global corporate costs					(50.5)
Acquisition and integration costs					(32.9)
Financial expenses					(38.9)
Depreciation and amortization					(159.5)
Share of taxation and amortization of associates					(1.9)
Earnings before income tax					265.8

# WSP Global Inc.

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					<b>2015</b>
	<b>Canada</b>	<b>Americas</b>	<b>EMEIA</b>	<b>APAC</b>	<b>Total</b>
Revenues	976.0	2,260.6	2,082.6	744.8	6,064.0
Less: Subconsultants and direct costs	(170.5)	(904.1)	(399.0)	(103.6)	(1,577.2)
Net revenues	805.5	1,356.5	1,683.6	641.2	4,486.8
Adjusted EBITDA before Global Corporate costs	93.3	211.8	174.8	49.0	528.9
Global corporate costs					(87.4)
Acquisition and integration costs					(3.9)
Financial expenses					(35.0)
Depreciation and amortization					(140.0)
Share of taxation and amortization of associates					(2.2)
Earnings before income tax					260.4

## (c) Geographic information

The following revenues have been allocated to geographic regions based on the country of operation of the Corporation.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
United States	2,261.3	2,216.0
Canada	1,145.5	976.0
United Kingdom	856.8	895.5
Sweden	617.3	515.0
Others	1,498.7	1,461.5
	<u>6,379.6</u>	<u>6,064.0</u>

# WSP Global Inc.

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The property, plant and equipment, goodwill and intangible assets are allocated in the following countries:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
United States	1,324.1	1,365.7
Canada	1,058.7	1,071.8
Sweden	254.7	271.2
United Kingdom	345.6	246.2
Others	448.9	455.5
	<hr/> 3,432.0	<hr/> 3,410.4