

Armtec Infrastructure Income Fund



First Quarter Report
Period Ended March 25, 2005



Armtec Infrastructure Income Fund
First Quarter Report
For the Period Ended March 25, 2005

Table of Contents

Message to Unitholders.....	2
Management's Discussion and Analysis.....	3
Interim Consolidated Financial Statements.....	13
Notes to Interim Consolidated Financial Statements.....	18
Shareholder Information.....	21

To Our Unitholders:

We are pleased to report to you on Armtec's performance in the first quarter of fiscal 2005. On the heels of a strong fiscal 2004, we maintained our momentum, delivering robust growth in the three months ended March 25, 2005.

Highlights:

- Armtec posted revenue gains of 31.9% compared to the first quarter of last year, driven by continued strong demand in many of our major markets, particularly in resources and infrastructure.
- During the quarter we continued to invest in our lean manufacturing system to improve productivity during the traditionally active second and third quarters.
- The Fund's net EBITDA loss of \$1.5 million for the quarter was both expected and consistent with our historical results. As almost all our products require outdoor installations that depend on weather conditions, our business is subject to seasonality, with sales ramping up as spring arrives.
- As expected, the Fund did not generate distributable cash during the quarter, due to the seasonal nature of our business. The Board of Trustees declared regular monthly distributions of \$0.10 per trust unit for the quarter.
- The Board of Trustees raised the monthly cash distribution level by 10% to \$0.11 per unit. The distribution increase was in response to the continued strong demand for Armtec's products and increased sales over last year and the expectation that these trends will continue in 2005. The first \$0.11 distribution will be for the month of May, payable on June 15, 2005 to unitholders of record at the close of business on May 31, 2005.

Our outlook for the remainder of 2005 is positive. Most of the provincial budgets have been released and are generally maintaining or increasing infrastructure expenditures. As well, international demand for Canadian commodities is expected to continue, providing support for our forestry and other resource markets. We will continue to focus on growing sales in existing international markets and are working to penetrate new ones.

In summary, we are pleased with Armtec's growth to date, and look forward to updating you on our progress again at the end of the next quarter.

Sincerely,

Robert J. Wright
Chairman of the Board of Trustees
May 5, 2005

Charles M. Phillips
President and Chief Executive Officer
May 5, 2005

Armtec Infrastructure Income Fund
Management's Discussion and Analysis
May 5, 2005

The following Management's Discussion and Analysis ("MD&A") for the first quarter ended March 25, 2005 is a review of the financial condition and results of operations of Armtec Infrastructure Income Fund (the "Fund"). It should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes contained in this quarterly report as well as the annual MD&A, consolidated financial statements and accompanying notes for the period ended December 31, 2004 and other public disclosure documents of the Fund. The financial information contained herein has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Unless indicated otherwise, all dollar amounts are expressed in thousands of Canadian dollars.

We have provided certain supplemental unaudited financial information for the period ended March 26, 2004, as management believes this will assist the reader in understanding the operating results for the underlying business. The period end information presented includes the consolidated financial information of Armtec Holdings Limited ("AHL") and subsidiaries prior to the acquisition of Armtec Holdings Limited by the Fund on July 27, 2004. Readers are cautioned that the operating results presented are not the results of the Fund for the period ended March 26, 2004 and have been presented only to provide the reader with additional information to enhance the comparability of the Fund's operating results.

OVERVIEW OF THE FUND

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated June 15, 2004, as amended and restated on July 27, 2004. The Fund commenced active operations on July 27, 2004. In this MD&A, the terms the "Fund", "Armtec" or the "Company" means the Fund together with its affiliated entities (including AHL).

Armtec is a leading manufacturer and marketer of drainage products and engineered solutions for infrastructure applications in a diverse cross-section of industries, including the public infrastructure market and private sector markets such as natural resources, residential drainage and agricultural drainage in Canada. Armtec is Canada's only national multi-material manufacturer specializing in corrugated high-density polyethylene pipe, corrugated steel pipe and related engineered products. Armtec also distributes a complete line of water control and geosynthetic products, and manufactures and distributes certain high value-added engineered products internationally.

The Fund's units trade on the Toronto Stock Exchange under the symbol ARF.UN.

Operating Results for the Three Months Ended

	The Fund March 25, 2005 (unaudited)	Armtec Holdings Limited ^{1,3} March 26, 2004 (unaudited)
Revenue	\$ 17,966	\$ 13,618
Cost of sales	14,686	11,567
Gross Margin	3,280	2,051
As a % of revenue	18.3%	15.1%
Selling, distribution, general and administrative expenses	6,278	5,093
Interest expense	354	550
Net loss before taxes	\$ (3,352)	\$ (3,592)
Other Data:		
EBITDA ²	\$ (1,519)	\$ (1,446)
As a % of Revenue	(8.5%)	(10.6%)

¹ The operating results for the period ended March 26, 2004 consist of the consolidated operating results of Armtec Holdings Limited prior to the acquisition by the Fund on July 27, 2004, and are not the results of the Fund.

² EBITDA is not a defined term under Canadian GAAP. For more information, refer to the Non-GAAP Measures section of this MD&A.

³ Prior period results have been reclassified to conform to the current presentation of financial information.

Overview

As almost all of Armtec's products require outdoor installations that are subject to weather conditions, first quarter revenues typically account for less than 15.0% of the Fund's annual results. Consequently, historical first quarter gross profits of the Company do not offset the selling, distribution, general and administrative expenses incurred during the period. The first quarter financial results of 2005 are consistent with this pattern. Historically, sales levels generally ramp up as spring arrives and ultimately reverse the first quarter shortfall. Along with this revenue precedent, the Company typically builds inventory levels through the early part of its operating year necessitating a use of cash. The Fund's management and banking partners expected these patterns to continue and thus structured a suitable financing arrangement for the Fund. During the quarter, the Fund continued to make level monthly distributions drawing, as anticipated, upon the Fund's revolving credit facility to fund the distributions. The Fund remains comfortably in compliance with all of its banking covenants.

The Company made considerable progress in the implementation of its lean manufacturing approach in the first quarter. The investments made in training, equipment, refurbishment, repairs and plant layout are expected to result in improved productivity.

Revenue

Revenues increased by \$4.4 million or 31.9% to \$18.0 million for the three months ended March 25, 2005 compared to revenues of \$13.6 million for the three months ended March 26, 2004. The increased revenue can primarily be attributed to the Company's corrugated steel and high-density polyethylene pipe products ("Pipe") and engineered product lines, as well as selling price increases in line with rising raw material costs. The improvements were primarily seen in the Fund's resource and infrastructure markets, with these sectors continuing the positive trends experienced in 2004 into the early months of 2005. The Fund's first quarter revenues generally account for less than 15.0% of the Fund's annual revenues with western Canada shipments reflecting a disproportional balance of the sales due to more favourable installation conditions in some parts of the region which allow for year round activity. The Company continues to be successful in passing on raw material cost increases to its customers.

Pipe sales accounted for \$9.6 million in revenue for the first quarter of 2005, an increase of \$2.7 million or 37.2% from the \$6.9 million recorded in 2004. Pipe revenues in western Canada were strengthened as a result of the manufacturing, sales and service agreement the Fund entered into with Edmonton-based Polytubes Inc. in 2004, which permitted access to a broader range of customers in the region. An increase in municipal projects contributed to this increase with the addition of new distribution points in the region created in 2004.

Engineered products accounted for \$2.4 million in revenue for 2005, an increase of \$0.8 million or 49.2% from the \$1.6 million in 2004. Bridge-Plate™ and Multi-Plate® sales increased in the three months ended March 25, 2005 as a result of increased demand both domestically and internationally. Shipments to Russia were responsible for most of the international increase. Mining investments in northern and western Canada accounted for most of the domestic increase.

Other products accounted for revenues of \$6.0 million, an increase of \$0.9 million or 17.2% from the \$5.1 million recorded in 2004. This increase is primarily due to improved sales of the Fund's water control gates, a product line that continues to experience a positive demand across Canada and the United States.

Gross Margin

Gross margin for the three months ended March 25, 2005 was \$3.3 million, an improvement of \$1.2 million or 59.9% over the \$2.1 million of gross margin for the three months ended March 26, 2004. The margin improvement in dollars can primarily be attributed to the volume increases in Armtec's pipe and engineered product lines along with pricing increases in the first quarter in response to higher raw material cost fluctuations, partially offset by higher manufacturing expenses. During the first quarter of 2005, many of the Fund's manufacturing plants incurred higher repair and maintenance costs than during the comparable quarter in 2004, targeting improved future productivity.

On a percentage basis, the gross margin improved to 18.3% of revenue in the first quarter of 2005 from 15.1% for the comparable period in 2004. The principal factors affecting the increase were a favourable sales mix and the effects of lower depreciation expenses in 2005, partially offset by raw material cost increases. An asset writedown in the first quarter of 2004 amounting to \$0.4 million led to a decrease in manufacturing depreciation in 2005. Raw material costs increased late in 2004 resulting in price increases that were implemented in the first quarter of 2005.

Selling, Distribution, General and Administrative Expenses

Selling, distribution, general and administrative expenses for the three months ended March 25, 2005 were \$6.3 million an increase of \$1.2 million over the \$5.1 million incurred during 2004. Changes in the Company's structure and operations accounted for most of the increase. Higher administration and amortization costs associated with the Fund becoming publicly owned in 2004 accounted for \$0.6 million. Additional salaries and benefits resulted in an additional \$0.4 million in expenses. The salary expense increase was primarily due to the acquisition of the Construction Products Division of Maritime Steel and Foundries Limited in 2004 and the creation of additional distribution facilities in western Canada in 2004. Delivery and distribution expenses increased by \$0.3 million in the first quarter of 2005 as a result of the related revenue growth in the period and additional distribution facilities. Partially offsetting the increase was the elimination of Armtec management fees paid to the previous shareholders of Armtec Holdings Limited prior to the Fund's IPO.

Interest Expense

Interest expense of \$0.4 million for the three months ended March 25, 2005 decreased by \$0.2 million from the \$0.6 million incurred during the three months ended March 26, 2004. The decrease was due to lower interest rates during the quarter in addition to lower average borrowing levels.

Income Taxes

As the Fund is a mutual fund trust for Canadian income tax purposes, income allocated to unitholders effectively reduced the Fund's current income tax to nil. The Fund generated a future income tax recovery of \$0.2 million due to the amortization of intangible assets and other timing differences.

EBITDA (See Non-GAAP Measures)

EBITDA for the three months ended March 25, 2005 was a loss of \$1.5 million compared to a loss of \$1.4 million in the three months ended March 26, 2004. The decline in EBITDA was due primarily to the increase in selling, general and administrative costs associated with changes in the Company's structure and operations, which offset the growth in revenues at better margins. Due to the seasonality of the business, the costs associated with these operational investments represented a greater percentage of the revenues in the three months ended March 25, 2005. With the expected increase in second and third quarter revenues, such an impact would be lessened.

Outlook

The provincial budgets that will determine the extent of future infrastructure spending are being released in the second quarter of this year. Most large jurisdictions are expected to maintain or increase infrastructure expenditures. Demand for certain engineered steel products is expected to increase as more Canadian bridges are designated for improvement. The outlook for natural resources remains positive with international demand for Canadian commodities expected to continue despite the lack of a long-term resolution of the softwood lumber trade dispute. Strong investment activity in the mining, oil and gas industries is also expected, continuing a trend that began in early 2004. Agricultural markets were unusually strong in 2004, partially stemming from ideal installation conditions in both the spring and fall seasons. Agricultural demand is expected to weaken in 2005 due to lower crop prices. The addition of the Construction Products Division of Maritime Steel and Foundries Limited and the increased capacity from the Polytubes agreement for a full year are expected to have a positive effect on revenues.

DRICore revenues (a flooring product using Platon) will decrease over the remainder of the fiscal year after the termination of the supply agreement in April 2005. DRICore accounted for \$2.9 million in revenues in 2004. Stronger demand in other products such as water control gates should mitigate the revenue impact in 2005.

The Company anticipates continued international demand from Russia and the Caribbean while attempting to penetrate new markets such as Korea.

As first quarter revenues typically account for a small portion of Armtec's sales, first quarter gross margins are not considered representative of expected annual results. In the early part of the year, lower revenues result in a higher proportion of fixed charges being absorbed with each dollar of sales. Overall 2005 annual margins are expected to be consistent with 2004.

DISTRIBUTIONS

The Fund makes regular monthly distributions to unitholders of record as of the last business day of each month. Distributions to unitholders are calculated and recorded when declared. Distributions declared for the three months ended March 25, 2005 are as follows:

Period	Record date	Payment date	Per unit	Amount
January 2005	January 31, 2005	February 15, 2005	\$ 0.10	\$ 902
February 2005	February 28, 2005	March 15, 2005	0.10	901
March 2005	March 31, 2005	April 15, 2005	0.10	902
			\$ 0.30	\$ 2,705

On April 20, 2005, a \$0.10 per unit (for an aggregate of \$901.5) distribution in respect of April 2005 was declared. The record date of the distribution was April 29, 2005 with an ex-dividend trading date of April 27, 2005. This distribution will be paid on May 16, 2005.

DISTRIBUTABLE CASH (See Non-GAAP Measures)

Statement of Distributable Cash

For the Three Months Ended March 25, 2005

(unaudited)

	2005
Net loss for the period	\$ (3,184)
Depreciation and amortization	1,479
Interest expense	354
Future income taxes (recovery)	(168)
EBITDA¹	(1,519)
Interest expense	(354)
Purchase of capital assets	(417)
Distributable cash	\$ (2,290)
Distributions declared	\$ 2,705
Net earnings per unit	\$ (0.353)
Distributable cash per unit	\$ (0.254)
Distributions declared per unit	\$ 0.300

¹ See Non-GAAP Measures

The table below reconciles net income to cash flow from operations:

Net loss for the period	\$ (3,184)
Items not affecting cash	
Amortization of property, plant and equipment	924
Amortization of other assets	555
Future income taxes (recovery)	(168)
Gain on interest rate swap	(60)
Non-cash post-retirement benefits accrued	66
	(1,867)
Net increase in non-cash working capital (note 5)	(4,306)
Cash used in operating activities	<u>\$ (6,173)</u>

The Fund did not generate distributable cash during the first quarter, however regular distributions totalling \$2.7 million were declared. The distributions were financed from seasonal borrowings under the Fund's revolving credit facility. Armtec's business is subject to seasonality, with sales ramping up as spring arrives and generally reaching peak levels in the third quarter. Consequently, the results of the first quarter should not be considered representative of a 12-month period of distributable cash since the first quarter revenues typically represent only a small portion of the total annual revenues. Consequently, net losses in the first quarter are expected and the Fund's banking arrangements were tailored to accommodate this historical pattern.

OUTSTANDING UNIT DATA

An unlimited number of units may be issued pursuant to the Fund's Declaration of Trust. Each unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund and in the net assets of the Fund in the event of termination or winding-up of the Fund. Each unit entitles the unitholder thereof to one vote at all meetings of unitholders. As at May 5, 2005, there are 9,015,000 units issued and outstanding. There has been no change to Fund units during the period from January 1, 2005 to March 25, 2005.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended (Unaudited)

(expressed in thousands of Canadian Dollars)

	Mar 25, 2005	Dec 31, 2004	Sept 24, 2004	June 25, 2004	Mar 26, 2004	Dec 31, 2003	Sept 26, 2003	June 27, 2003
Revenue	\$ 17,966	\$ 41,569	\$ 49,677	\$ 38,581	\$ 13,618	\$ 29,645	\$ 43,498	\$ 35,905
Net earnings (loss)	\$ (3,184)	\$ 1,885	\$ 3,151	\$ 2,529	\$ (2,297)	\$ 423	\$ 2,890	\$ 1,518
Net earnings (loss) per unit	\$ (0.35)	\$ 0.21	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A

The Company's business is seasonal, with sales ramping up as spring arrives and generally reaching peak levels in the third quarter. First quarter revenue typically accounts for less than 15.0% of a fiscal year's revenue. As such, losses in the first quarter are expected with the Company historically generating positive net earnings as the second quarter unfolds. Since almost all of the Company's revenue is derived from products that require outdoor installation, early year shipments can be negatively affected when inclement weather renders installation sites inaccessible. A revolving credit facility is available to allow regular distributions and working capital investments during slower quarters.

The September 24, 2004 amounts are a pro forma consolidation of the interim financial results of the Fund for the period July 27, 2004 to September 24, 2004 and the unaudited historical Armtec Limited results for the period June 26, 2004 to July 26, 2004. All results prior to the quarter ended September 24, 2004 are the unaudited historical AHL results and are not results of the Fund.

CASH FLOW AND LIQUIDITY

As at March 25, 2005 the Fund's cash and cash equivalents amounted to approximately \$30 thousand. Declared but unpaid distributions were \$0.9 million. The Fund had working capital of \$23.2 million, which is sufficient to meet short-term obligations.

Cash Flow from Operations

For the period between January 1, 2005 and March 25, 2005, \$1.9 million of cash flow was used before changes in non-cash working capital. The non-cash component of working capital increased as a result of the seasonality of the business. Working capital regularly increases in the first quarter as the Company progresses towards its peak season and inventory levels rise accordingly. The combination of cash usage from operations and increases in non-cash working capital used \$6.2 million of cash in the period January 1, 2005 to March 25, 2005.

Investing Activities

Capital expenditures for the period between January 1, 2005 and March 25, 2005 totalled \$0.4 million, all of which were related to maintenance capital expenditures.

Financing Activities

During the period, the Fund made net borrowings under its revolving credit facility of \$9.6 million. Borrowings under the revolving credit facility are necessary due to the seasonal nature of the business, the ongoing operating cash requirements and regular monthly distributions during slower quarters. The Fund expects to repay any seasonal borrowings by the end of the 2005 fiscal year.

Distributions paid to unitholders amounted to \$5.9 million during the period. A further \$0.9 million was declared and payable at March 25, 2005. The distributions paid during the period included \$4.1 million declared and unpaid distributions at December 31, 2004. The 2005 distributions were funded with available cash and through borrowings under the revolving credit facility. The Fund intends to continue making equal monthly cash distributions of its net cash receipts. Currently, the monthly distributions are set at \$0.10 per unit.

CAPITAL RESOURCES

At March 25, 2005, Armtec had credit facilities that provide a \$25.0 million term facility and a \$25.0 million revolving credit facility, both at variable interest rates. The interest rate on \$11.5 million of the term facility has been fixed through a swap agreement, resulting in an effective interest rate, before bank issuance costs, of 3.8%. Armtec is in compliance with all covenants. At March 25, 2005, all \$25.0 million has been advanced on the term facility and is outstanding while \$9.6 million is outstanding on the revolving credit facility. There are no mandatory principal repayments on the term facility prior to maturity in July 2007. Due to the seasonality of the business, the revolving credit facility is available to support seasonal cash requirements for working capital and distributions.

Cash and cash equivalents at March 25, 2005 amounted to approximately \$30 thousand.

Armtec has no outstanding commitments for capital expenditures; however, past experience has shown that approximately \$1.5 million is required on an annual basis for maintenance capital expenditures in order to maintain its productive capacity.

Anticipated cash distributions to unitholders are not commitments at March 25, 2005, however the Fund is required to distribute an amount equal to or above its taxable income in order to eliminate the Fund's income tax liability.

Cash flow from operations together with cash and cash equivalents on hand are expected to be sufficient to meet capital maintenance expenditures and anticipated cash distributions.

OFF-BALANCE SHEET ARRANGEMENTS

The Fund's off-balance sheet arrangements consist of operating leases and royalty licenses. Operating leases are for facilities and vehicles with market terms and do not have associated escalating rent or make-good provisions that materially impact the financial statements. The Fund's royalty licenses require payments at certain predetermined levels based on the profitability of certain products. Royalty obligations are accrued when the associated profit is recognized. At March 25, 2005, the amount of royalty payments owing was \$0.1 million. For the period between January 1, 2005 and March 25, 2005, royalty expense amounted to \$0.1 million.

Armtec also has various operating leases, loans and purchase commitments to finance certain assets of the business. The amounts of estimated future payments are disclosed in the annual MD&A for the period ended December 31, 2004 and have not materially changed during the three months ended March 25, 2005.

NON-GAAP MEASURES

References to "EBITDA" are to earnings before interest, taxes (other than capital taxes), depreciation and amortization. Management believes that in addition to net income or loss, EBITDA is a useful supplemental measure of cash available for distribution prior to debt service, changes in working capital, capital expenditures and taxes. However, EBITDA is not a recognized measure under Canadian GAAP. Investors are cautioned that EBITDA should not be construed as an alternative to net earnings or loss determined in accordance with GAAP as an indicator of the Fund's performance or as an alternative to cash flows from operating, investing and financing activities as a measure of the Fund's liquidity and cash flows. The Fund's method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, the Fund's EBITDA may not be comparable to similarly titled measures used by other issuers.

EBITDA For the Three Months Ended

	The Fund March 25, 2005 (unaudited)	Armtec Holdings Limited March 26, 2004^{1,2} (unaudited)
Net loss before taxes	\$ (3,352)	\$ (3,592)
Depreciation and amortization	1,479	1,596
Interest expense	354	550
EBITDA	\$ (1,519)	(1,446)

¹ The operating results for the period ended March 26, 2004 consist of the consolidated operating results of Armtec Holdings Limited prior to the acquisition by the Fund on July 27, 2004, and are not the results of the Fund.

² Prior period results have been reclassified to conform to the current presentation of financial information.

"Distributable cash" is not a defined term under Canadian GAAP but is determined by the Fund as net income for the period adjusted to remove non-cash items, including amortization and future income taxes, and reduced by capital expenditures (other than business acquisitions). Management believes that distributable cash is a useful measure of performance as it provides investors with an indication of the amount of cash available for distribution to unitholders. Investors are cautioned, however, that distributable cash should not be construed as an alternative to using net earnings as a measure of profitability or the statement of cash flows. Furthermore, the Fund's method of calculating distributable cash may not be comparable to other similarly named calculations.

CRITICAL ACCOUNTING ESTIMATES

The Fund's discussion and analysis of its financial condition and results of operations, including the discussion on liquidity and capital resources, is based upon the Fund's interim consolidated financial statements, which have been prepared in accordance with Canadian GAAP. The preparation of these interim consolidated financial statements requires Armtec to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and judgements, particularly those related to the determination of the estimated recoverable amount of inventory, goodwill and intangible assets, and post-employment benefit liabilities. Armtec bases its estimates on historical experience and on various other assumptions, which are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. For a detailed discussion of the more significant judgements and estimates used in the preparation of the Fund's interim consolidated financial statements, refer to the Fund's annual MD&A. There are no material updates to these estimates based on events from January 1, 2005 to May 5, 2005.

FINANCIAL INSTRUMENTS

The Fund entered into an interest rate swap agreement on September 3, 2004 for \$11.5 million of its \$25.0 million term loan facility, resulting in an effective interest rate before bank issuance costs of 3.8%. The Fund entered into the swap to mitigate its exposure to variable interest rates but is exposed to fluctuations in the market value of the swap itself. There was an increase in the mark-to-market value of the swap during the period between January 1, 2005 to March 25, 2005 of \$0.1 million, classified as a reduction of selling, general and administrative expenses. The mark-to-market value of the swap is derived from an independent valuator using appropriate market assumptions.

ACCOUNTING POLICY CHANGES

There have been no changes in accounting policy for the period from January 1, 2005 to March 25, 2005, nor are there changes pending or proposed.

RISKS AND UNCERTAINTIES

The Fund is subject to certain risks and uncertainties that could have a material adverse effect on Armtec's results of operations, business prospects, financial condition, cash distributions to unitholders and the trading price of the Fund's units. A comprehensive discussion of these risks can be found in our Annual Information Form, which is available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com. There have been no material changes to Armtec's business from January 1, 2005 to May 5, 2005 that require an update to the discussion of the applicable risks.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements contain such words as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of May 5, 2005. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward-looking statements contained in this report are based upon what management of Armtec believes are reasonable assumptions, the Fund can not assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A and the Fund assumes no obligation to update or revise them to reflect new events or circumstances.

ADDITIONAL INFORMATION

Copies of financial data and other publicly filed documents including the Annual Information Form of the Fund, are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com.

Unaudited Interim Consolidated Financial Statements

Armtec Infrastructure Income Fund

March 25, 2005

These interim consolidated financial statements have not been subjected to a review by Armtec Infrastructure Income Fund's external auditor.

Armtec Infrastructure Income Fund

INTERIM CONSOLIDATED BALANCE SHEET

(expressed in thousands of Canadian dollars)

	March 25, 2005 (unaudited)	December 31, 2004
Assets		
Current assets		
Cash and cash equivalents	\$ 30	\$ 2,873
Accounts receivable	13,052	17,586
Inventories	20,732	16,175
Prepaid expenses and other assets	609	1,144
Future income tax assets	174	174
	34,597	37,952
Property, plant and equipment	33,566	34,073
Notes receivable	306	344
Goodwill	34,021	34,021
Other intangible assets	41,506	42,061
	\$ 143,996	\$ 148,451
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 10,527	\$ 15,368
Distributions payable	902	4,057
	11,429	19,425
Long-term debt (note 2)	34,634	25,000
Post-employment obligations	6,339	6,273
Deferred swap loss payable	111	171
Future income tax liabilities	16,708	16,891
	69,221	67,760
Unitholders' equity		
Capital contributions	82,248	82,275
Cumulative earnings	3,012	6,196
Cumulative distributions (note 3)	(10,485)	(7,780)
	74,775	80,691
	\$ 143,996	\$ 148,451

Basis of presentation (note 1)

Subsequent events (note 8)

Signed on behalf of the Trustees:

/s/ Robert J. Wright

Robert J. Wright
Chairman

/s/ Brian W. Jamieson

Brian W. Jamieson
Trustee

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

Armtec Infrastructure Income Fund
INTERIM CONSOLIDATED STATEMENT OF EARNINGS
For the Three Months Ended March 25, 2005
(unaudited)

(expressed in thousands of Canadian dollars except per unit or unit data)

	<u>2005</u>
Revenue	\$ 17,966
Cost of sales	14,686
Gross margin	<u>3,280</u>
Selling, distribution, general, administrative and other expenses	6,278
Loss from operations	<u>(2,998)</u>
Interest expense	354
Loss before taxes	<u>(3,352)</u>
Future income taxes (recovery)	(168)
Net loss for the period	<u>\$ (3,184)</u>
Basic and diluted loss per unit	<u>\$ (0.35)</u>
Basic and diluted weighted average number of units outstanding	<u>9,015,000</u>

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

Armtec Infrastructure Income Fund
INTERIM CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY
For the Three Months Ended March 25, 2005
(unaudited)
(expressed in thousands of Canadian dollars)

	Unitholders' Capital	Cumulative Earnings	Cumulative Distributions	Total
Balance, December 31, 2004	\$ 82,275	\$ 6,196	\$ (7,780)	\$ 80,691
Issuance costs	(27)			(27)
Net loss for the period		(3,184)		(3,184)
Distributions (Note 3)			(2,705)	(2,705)
Balance, March 25, 2005	\$ 82,248	\$ 3,012	\$ (10,485)	\$ 74,775

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

Armtec Infrastructure Income Fund
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the Three Months Ended March 25, 2005
(unaudited)
(expressed in thousands of Canadian dollars)

	2005
Cash provided by (used in)	
Operating activities	
Net loss for the period	\$ (3,184)
Items not affecting cash	
Amortization of property, plant and equipment	924
Amortization of other assets	555
Future income taxes (recovery)	(168)
Gain on interest rate swap	(60)
Non-cash post-retirement benefits accrued	66
	<u>(1,867)</u>
Net increase in non-cash working capital (note 5)	(4,306)
Cash used in operating activities	<u>(6,173)</u>
Investing activities	
Purchase of property, plant and equipment	(417)
Cash used in investing activities	<u>(417)</u>
Financing activities	
Net borrowings from long-term debt	9,634
Payment of expenses related to initial public offering	(27)
Distribution to unitholders	(5,860)
Cash provided by financing activities	<u>3,747</u>
Net decrease in cash and cash equivalents	(2,843)
Cash and cash equivalents - Beginning of period	<u>2,873</u>
Cash and cash equivalents - End of period	<u>\$ 30</u>
Supplemental cash flow information	
Interest paid	\$ 327
Income taxes paid	\$ -

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars except unit and per unit amounts)

Note 1. Basis of Presentation

Armtec Infrastructure Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario. The Fund was established to hold directly and indirectly, securities and assets of Armtec Limited Partnership ("Armtec"). As the Fund commenced active operations on July 27, 2004, no comparative information is provided for the consolidated statements of earnings and cash flows for the three months ended March 25, 2005.

The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The consolidated financial statements include the accounts of the Fund and its wholly owned subsidiaries. All intercompany transactions have been eliminated upon consolidation. The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements.

These unaudited interim financial statements do not contain all the disclosures required in annual audited financial statements by Canadian GAAP, and accordingly should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Fund's 2004 financial statements.

Note 2. Long-Term Indebtedness

	March 25, 2005
Non-revolving term facility	\$ 25,000
Revolving credit facility	9,634
	\$ 34,634

On July 27, 2004, the Fund entered into a three-year syndicated credit agreement that provided the Fund with access to a \$25 million term facility and a revolving credit facility of up to \$25 million. The facilities each bear interest at rates that depend on certain financial ratios of the Fund and vary in accordance with borrowing rates in Canada and the United States. The credit facilities are secured by a first charge on the assets of the Fund and its subsidiaries, except for specified permitted encumbrances. The provisions under these facilities provide for restrictions on the operations and activities of the Fund. Generally, the most significant restrictions relate to permitted investments, distributions, as well as the incurrence and maintenance of certain financial ratios primarily linked to operating earnings before interest, taxes, depreciation and amortization. At March 25, 2005, the Fund was in compliance with these covenants. The entire credit facility is repayable in full on July 27, 2007, and while the revolving facility may fluctuate over the period, any repayments on the term facility cannot be re-borrowed. The average borrowings of long-term debt in the three months ended March 25, 2005 was \$28,330.

In September 2004, the Fund entered into an \$11.5 million interest rate swap, effectively converting the floating rate on a portion of the Fund's \$25 million term loan to a fixed interest rate obligation with an effective interest rate before bank issuance costs of 3.8%. The interest rate swap matures on July 27, 2007.

The average effective interest rate in the period after related fees was 5.36%. This accounts for the effects of the interest rates on the term and revolving facilities, borrowing fees in addition to the interest rate swap but does not include any gains or losses in the period resulting from the revaluation of the interest rate swap.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars except unit and per unit amounts)

Note 3. Distributions

The Fund makes regular monthly distributions to unitholders of record as of the last business day of each month. Distributions to unitholders are calculated and recorded when declared. Distributions for the period ended March 25, 2005 are as follows:

<u>Period</u>	<u>Record date</u>	<u>Payment date</u>	<u>Per unit</u>	<u>Amount</u>
January 2005	January 31, 2005	February 15, 2005	\$ 0.10	\$ 902
February 2005	February 28, 2005	March 15, 2005	0.10	901
March 2005	March 31, 2005	April 15, 2005	0.10	902
			<u>\$ 0.30</u>	<u>\$ 2,705</u>

Note 4. Long-term incentive plan

Armtec has adopted a long-term incentive plan ("LTIP") to enhance the ability of the Company to attract, retain and motivate key personnel and reward senior management for superior performance and associated cash flow growth of the Fund on a per unit basis. Bonuses, in the form of units of the Fund, will be provided to eligible employees annually where the cash distributed by the Fund exceeds certain specified threshold amounts.

An LTIP entitlement of \$271 was approved in 2004 with the unit acquisition to be completed in 2005. The associated expense will be recognized over a term consisting of the period of grant and the three-year vesting period using the graded amortization method. The expense and associated liability recognized in the three months ended March 25, 2005 was \$25.

Note 5. Changes in Non-Cash Working Capital

	<u>March 25, 2005</u>
Cash provided by (used in)	
Accounts receivable	\$ 4,534
Inventories	(4,557)
Prepaid expenses and other assets	535
Accounts payable and accrued liabilities	(4,839)
Other	21
	<u>\$ (4,306)</u>

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars except unit and per unit amounts)

Note 6. Seasonal Nature of the Business

The Fund's results for the period ended March 25, 2005 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in revenue levels. Since almost all of the Fund's products require outdoor installation that are subject to weather conditions, the Fund historically experiences higher levels of revenue during the second and third quarters, while the first and fourth quarters experience lower revenue. Occupancy related expenses, general and administration costs, depreciation and amortization and interest expenses remain relatively steady throughout the year.

Note 7. Segmented Information

Management believes it operates in one industry segment as the Fund does not have sufficient information to allow full segment disclosure. The Fund makes operating decisions based on certain product line information, consisting of corrugated steel and high-density polyethylene pipe ("Pipe"), engineered steel products ("ESP") and other products with sufficiently distinctive applications to make aggregation with Pipe and ESP difficult.

The Fund's regional business units across Canada exhibit similar economic characteristics as they deliver similar products, used in similar applications by customers, using similar delivery and sales processes. Accordingly, the regional businesses are aggregated for reporting purposes into one segment.

The Fund derives its revenue from a large base of customers across Canada and internationally. During the period ended March 25, 2005, no single customer accounted for greater than 10% of the total revenues for the period.

Revenues by product line are as follows:

	Pipe	ESP	Other	Total
Revenue	\$ 9,605	\$ 2,406	\$ 5,955	\$ 17,966

Domestic and export revenues are as follows:

	Canada	International	Total
Revenue	\$ 15,435	\$ 2,531	\$ 17,966

Note 8. Subsequent Events

On April 20, 2005, a \$0.10 per unit (for an aggregate of \$901.5) distribution in respect of April 2005 was declared. The record date of the distribution was April 29, 2005 with an ex-dividend trading date of April 27, 2005. This distribution will be paid on May 16, 2005.

Armtec Infrastructure Income Fund

Unitholder Information

Corporate Office

15 Campbell Road
P.O. Box 3000
Guelph, Ontario
Tel: 519 822-0210
Fax: 519 822-1160

Transfer Agent and Registrar

Computershare Investor Services Inc.
Toronto, Ontario
Tel: 1-800-564-6253

Auditors

PricewaterhouseCoopers LLP
Mississauga, Ontario
Tel: 905 949-7400

Investor Relations

Charles M. Phillips
President & Chief Executive Officer
Tel: 519 822-0210

Toronto Stock Exchange Symbol

ARF.UN

Armtec Infrastructure Income Fund

15 Campbell Road, P.O. Box 3000

Guelph, Ontario N1H 6P2

519-822-0210

www.armtecincomefund.com
