

Armtec Infrastructure Income Fund

INTERIM CONSOLIDATED BALANCE SHEET

(in thousands of Canadian dollars)

	June 30, 2007 (unaudited)	June 30, 2006 (unaudited)	December 31, 2006
Assets			
Current assets			
Cash and cash equivalents	\$ 221	\$ 61	\$ 26
Accounts receivable	32,779	33,271	18,446
Inventory	27,676	21,437	19,778
Prepaid expenses and other assets	976	1,443	1,025
Future income tax assets	101	157	101
	61,753	56,369	39,376
Property, plant and equipment	33,094	31,541	32,575
Note receivable	329	382	442
Goodwill	39,548	36,331	39,548
Intangible assets	42,912	42,468	44,050
	\$ 177,636	\$ 167,091	\$ 155,991
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 24,730	\$ 22,157	\$ 13,294
Distributions payable	1,340	1,172	3,091
	26,070	23,329	16,385
Long-term debt	32,010	45,226	15,641
Post-employment obligations	6,617	6,664	6,596
Future income tax liabilities	13,524	15,976	14,545
	78,221	91,195	53,167
Unitholders' equity			
Capital contributions	105,773	82,248	105,773
Accumulated other comprehensive loss	(10)	-	-
Cumulative earnings	38,858	21,531	34,220
Cumulative distributions	(45,206)	(27,883)	(37,169)
	99,415	75,896	102,824
	\$ 177,636	\$ 167,091	\$ 155,991

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

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

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenue	\$ 49,763	\$ 49,822	\$ 71,611	\$ 70,262
Cost of sales	32,738	33,465	48,602	48,959
Amortization of property, plant and equipment	923	865	1,793	1,731
Gross margin	16,102	15,492	21,216	19,572
Distribution and warehousing	2,424	2,374	3,562	3,816
Selling, general and administrative	5,818	5,291	11,274	10,658
Amortization of intangible assets	656	600	1,313	1,142
Earnings from operations	7,204	7,227	5,067	3,956
Interest	477	624	765	1,095
Amortization of deferred financing fees	47	42	94	87
Interest and financing expenses	524	666	859	1,182
Earnings before taxes	6,680	6,561	4,208	2,774
Recovery of future income taxes	270	150	430	318
Net earnings for the period	\$ 6,950	\$ 6,711	\$ 4,638	\$ 3,092
Basic and diluted earnings per unit	\$ 0.67	\$ 0.74	\$ 0.45	\$ 0.34
Basic and diluted weighted average number of units outstanding	10,304,000	9,015,000	10,304,000	9,015,000

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

Armtec Infrastructure Income Fund

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net earnings for the period	\$ 6,950	\$ 6,711	\$ 4,638	\$ 3,092
Other comprehensive loss, net of taxes: Unrealized losses on translating financial statements of self- sustaining foreign operations	(10)	-	(10)	-
Comprehensive income for the period	\$ 6,940	\$ 6,711	\$ 4,628	\$ 3,092

Armtec Infrastructure Income Fund

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

(in thousands of Canadian dollars)

(unaudited)

	Unitholders' Capital	Accumulated Other Comprehensive Loss	Cumulative Earnings	Cumulative Distributions	Total
Balance – December 31, 2006	\$ 105,773	\$ -	\$ 34,220	\$ (37,169)	\$ 102,824
Earnings for the period	-	-	4,638	-	4,638
Other comprehensive loss for the period	-	(10)	-	-	(10)
Distributions for the period (Note 5)	-	-	-	(8,037)	(8,037)
Balance – June 30, 2007	\$ 105,773	\$ (10)	\$ 38,858	\$ (45,206)	\$ 99,415
Balance – December 31, 2005	\$ 82,248	\$ -	\$ 18,439	\$ (21,302)	\$ 79,385
Earnings for the period	-	-	3,092	-	3,092
Other comprehensive loss for the period	-	-	-	-	-
Distributions for the period	-	-	-	(6,581)	(6,581)
Balance – June 30, 2006	\$ 82,248	\$ -	\$ 21,531	\$ (27,883)	\$ 75,896

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

Armtec Infrastructure Income Fund
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands of Canadian dollars)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Cash provided by (used in):				
Operating activities				
Net earnings for the period	\$ 6,950	\$ 6,711	\$ 4,638	\$ 3,092
Items not affecting cash:				
Amortization of property, plant and equipment	923	865	1,793	1,731
Amortization of intangible assets	656	600	1,313	1,142
Amortization of deferred financing fees	47	42	94	87
Recovery of future income taxes	(270)	(150)	(430)	(318)
Non-cash post-employment benefits expense	10	69	21	140
Loss on sale of property, plant and equipment	14	-	21	-
	8,330	8,137	7,450	5,874
Net increase in non-cash working capital (Note 7)	(8,225)	(8,772)	(11,074)	(9,270)
Cash provided by (used in) operating activities	105	(635)	(3,624)	(3,396)
Investing activities				
Purchase of property, plant and equipment	(2,113)	(333)	(2,362)	(454)
Proceeds from sale of property, plant and equipment	11	-	29	15
Decrease in long-term notes receivable	54	-	113	21
Purchase of intangible assets	(78)	(349)	(175)	(529)
Business acquisitions (Note 9)	-	(21)	(263)	(7,481)
Cash used in investing activities	(2,126)	(703)	(2,658)	(8,428)
Financing activities				
Net borrowings under credit facility	6,255	4,718	16,275	20,474
Payment of bank financing fees	-	-	-	(215)
Distributions to unitholders	(4,018)	(3,335)	(9,788)	(8,384)
Cash provided by financing activities	2,237	1,383	6,487	11,875
Effect of translation adjustment	(10)	-	(10)	-
Net increase in cash and cash equivalents	206	45	195	51
Cash and cash equivalents – Beginning of period	15	16	26	10
Cash and cash equivalents – End of period	\$ 221	\$ 61	\$ 221	\$ 61
Supplemental cash flow information				
Interest paid	\$ 501	\$ 675	\$ 824	\$ 1,204
Income taxes paid	\$ 593	\$ -	\$ 593	\$ -

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

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Note 1. Organization and Nature of Business

Armtec Infrastructure Income Fund (“the Fund”, “Armtec”, or “the Company”) 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.

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 broad line of water control and geosynthetic products, and sells internationally certain high value-added engineered products manufactured in Canada and South Korea.

Note 2. Basis of Presentation

The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). The unaudited interim consolidated financial statements reflect the results of operations of the Fund, its wholly owned subsidiaries and the Fund’s portion of its joint venture for the three and six months ended June 30, 2007 and 2006. 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, except as noted below.

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 2006 financial statements.

Note 3. Changes in Accounting Policies

The Fund has adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook standards contained in Section 1530 entitled “Comprehensive Income”, Section 3855 entitled “Financial Instruments – Recognition and Measurement” and Section 3865 entitled “Hedges” on January 1, 2007. During the second quarter of 2007, it was determined that the foreign operations were self-sustaining and the foreign currency translation was accounted for accordingly.

a) Financial assets and liabilities and hedging relationships

Under the new standard, all financial instruments were classified into the following categories: held for trading, held to maturity investments, loans and receivables, available for sale financial assets or other financial liabilities. All financial instruments within the scope of the standard are included in the consolidated financial statements and are initially measured at fair value. Subsequently, all financial instruments are re-measured to fair value at each reporting period except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Held for trading financial investments are subsequently measured at fair value and all gains and losses as a result of re-measurement are included in net income in the period in which they arise. Available for sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired.

As a result of the adoption of this standard, the Fund has classified its cash and cash equivalents as held for trading. Accounts receivable and long-term notes receivable have been classified as loans and receivables. Accounts payable and long-term debt have been classified as other financial liabilities.

The Fund continues to apply mark-to-market accounting to its \$11.5 million interest rate swap as it does not apply hedge accounting to this instrument. The contract has been revalued to market value resulting in an unrealized loss of \$15 and \$28 for the three and six month periods ended June 30, 2007 (2006 – unrealized gain of \$36 and \$55) respectively. The fair value of the interest rate swap is included with current assets.

Management has assessed the impact of adopting these standards and has determined that there were no significant changes to the presentation and measurement of financial instruments in the consolidated

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

financial statements except for the reclassification of deferred financing fees from intangible assets to long-term debt.

b) Comprehensive income

Comprehensive income introduces a new requirement to present, among other things, certain unrealized gains and losses outside of net income. Section 1530 defines comprehensive income as a change in net assets arising from transactions and other events and circumstances from non-owner sources. The new standard requires the presentation of a statement of comprehensive income. Management has assessed the impact of adopting this standard and has determined that there is no significant change.

c) Foreign currency translation

For foreign operations that are considered self-sustaining, the current rate method of translating foreign currencies has been used. Under this method, assets and liabilities are translated into Canadian dollars at period-end exchange rates and revenues and expenses are translated at average rates during the period. The resulting unrealized exchange gains and losses arising from the translation of the financial statements of these foreign operations are deferred and recorded as a component of accumulated other comprehensive income within unitholders' equity.

Note 4. Seasonal Nature of the Business

The Fund's results for the three and six month periods ended June 30, 2007 and 2006 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in revenue levels. Since most of the Fund's products require outdoor installation, the Fund historically experiences higher levels of revenue during the summer months in the second and third quarters, while the first and fourth quarters experience lower revenue during the late fall and winter months. Occupancy related expenses, general and administration costs, depreciation and amortization and interest expenses remain relatively steady throughout the year.

Note 5. Distributions

The Fund made regular monthly distributions to unitholders of record as of the last business day of each month. Distributions to unitholders were calculated and recorded when declared. Distributions for the six month period ended June 30, 2007 were as follows:

Period	Record date	Payment date	Per unit	Amount (Whole Dollars)
January 2007	January 31, 2007	February 15, 2007	\$ 0.13	\$ 1,339,520
February 2007	February 28, 2007	March 15, 2007	0.13	1,339,520
March 2007	March 30, 2007	April 13, 2007	0.13	1,339,520
April 2007	April 30, 2007	May 15, 2007	0.13	1,339,520
May 2007	May 31, 2007	June 15, 2007	0.13	1,339,520
June 2007	June 29, 2007	July 13, 2007	0.13	1,339,520
			\$ 0.78	\$ 8,037,120

Note 6. Incentive Plans

Long-Term Incentive Plan ("LTIP")

Armtec maintains a long-term incentive plan to enhance the ability of the Company to attract, retain and motivate key personnel and reward senior management for superior performance. Bonuses, in the form of units of the Fund, may be provided to eligible employees annually where certain conditions are met.

When the conditions of the plan are met, the Fund will set aside a pool of funds with Computershare Trust Company of Canada as the plan administrator of the LTIP. The funds in this pool are used to purchase units of the Fund in the open market to be provided to eligible employees as bonus compensation. The units vest evenly over a three-year period and once vested are transferred to the eligible employee. An LTIP entitlement of \$410 was approved in respect of the 2006 year. These funds were used to purchase units throughout April 2007.

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The units available in the plan vest as follows:

Year awarded	Award amount	Year units purchased	Number of units	Vesting year – December 31,				
				2005	2006	2007	2008	2009
2004	\$ 271	2005	20,015	6,671	6,672	6,672	-	-
2005	541	2006	28,995	-	9,665	9,665	9,665	-
2006	410	2007	21,999	-	-	7,333	7,333	7,333
Total	\$ 1,222		71,009	6,671	16,337	23,670	16,998	7,333

The associated expense is recognized over a term consisting of the current and three vesting periods. The expense, prepaid expense and associated liability recognized in the six month period ended June 30, 2007 and 2006 were as follows:

	Six Months Ended June 30,	
	2007	2006
Prepaid expenses and other assets	\$ 297	\$ 297
Accounts payable and accrued liabilities	(50)	-
	\$ 247	\$ 297
Included in selling, general and administration expense	\$ 188	\$ 124

Trustees' Phantom Unit Plan

On June 14, 2006, unitholders of the Fund approved the adoption of a Phantom Unit Plan which provides the Trustees with the opportunity to receive authorized but unissued phantom units in lieu of cash consideration. Each phantom unit awarded is equivalent in value to an actual unit of the Fund. The phantom units vest immediately and are reflected as a liability in the balance sheet and compensation expense in the income statement. During the six month period ended June 30, 2007, 6,237 phantom units (2006 – nil) were issued under the plan for a total units outstanding of 13,624 (2006 – nil). The Fund recorded a compensation expense of \$107 in selling, general and administrative with regard to the phantom units issued in the six month period ended June 30, 2007 (2006 – nil).

Note 7. Changes in Non-Cash Working Capital

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Cash provided by (used in):				
Accounts receivable	\$ (15,480)	\$ (18,624)	\$ (14,333)	\$ (13,789)
Inventory	(3,010)	1,580	(7,898)	(2,314)
Prepaid expenses and other assets	65	(258)	49	(226)
Accounts payable and accrued liabilities	10,200	8,530	11,108	7,059
	\$ (8,225)	\$ (8,772)	\$ (11,074)	\$ (9,270)

Note 8. Segmented Information

The Fund operates in one industry segment, manufacturing drainage products and engineered solutions primarily for infrastructure applications. The Fund derives its revenue from a large base of customers across Canada and internationally. During the three and six month periods ended June 30, 2007 and 2006, no single customer accounted for greater than 10% of the total revenues. The Fund's significant product lines include corrugated steel and high density polyethylene pipe ("Pipe Products"), Engineered Products, and Other Products.

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

During the first quarter of 2007, management re-evaluated the products classified as Engineered Products and Other Products. As a result of this review, sales of gates and CONTECH Stormwater detention systems, previously classified as Other Products, were classified as Engineered Products. Guardrail, sign posts and other steel based products which do not involve the same level of engineering were moved from Engineered Products and grouped with Other Products. Prior years' figures have been restated to reflect the new classification.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues by significant product line are as follows:				
Pipe Products	\$ 35,175	\$ 34,262	\$ 47,637	\$ 46,513
Engineered Products	5,760	5,566	10,798	8,856
Other Products	8,828	9,994	13,176	14,893
	\$ 49,763	\$ 49,822	\$ 71,611	\$ 70,262
Domestic and export revenues are as follows:				
Canada	\$ 46,822	\$ 46,237	\$ 67,460	\$ 64,421
International	2,941	3,585	4,151	5,841
	\$ 49,763	\$ 49,822	\$ 71,611	\$ 70,262

Note 9. Business Acquisitions

In February 2006, Armtec completed the acquisition of the Twister Pipe Ltd. ("Twister") for a total cost of \$7.7 million with \$0.2 million paid in the first quarter of 2007. In November 2006, the Fund completed the acquisition of Prairie Steel Products Ltd. and Prairie Steel Manufacturing Ltd. ("Prairie Steel") for a total cost of \$7.2 million with \$0.1 million paid in the first quarter of 2007. These acquisitions have been accounted for using the purchase price method and accordingly, the consolidated financial statements include the results of operations for the businesses from the date of acquisition. The purchase price, including transaction costs, has been allocated to the net assets acquired based on management's best estimate of fair values.

Note 10. Comparative Figures

Certain comparative figures have been reclassified in accordance with the current period's presentation.

Note 11. Subsequent Events

a) Distributions

On July 18, 2007, a \$0.13 per unit (for an aggregate of \$1,339.5) distribution in respect of July 2007 was declared. The record date of the distribution was July 31, 2007, with a payment date of August 15, 2007.

b) Changes in consideration paid

On July 27, 2004, the Fund indirectly acquired all of the securities of Armtec Holdings Limited which held 100% ownership of Armtec Limited for cash consideration of \$78.4 million. In July 2007, cash of \$0.5 million was received with respect to an indemnification of income tax liabilities incurred prior to July 27, 2004. The funds received will be reflected as a reduction of the original consideration paid as a reduction of goodwill.

Armtec Infrastructure Income Fund

Unitholder Information

Corporate Office

370 Speedvale Avenue West, Suite #3
Guelph, Ontario N1H 7M7
Tel: (519) 822-0210
Fax: (519) 822-1160

Transfer Agent and Registrar

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

Auditors

PricewaterhouseCoopers LLP
Kitchener, Ontario
Tel: (519) 570-5700

Investor Relations

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

Carrie Boutcher
VP, Finance & Interim Chief Financial Officer
Tel: (519) 822-0210

Toronto Stock Exchange

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