

Armtec Infrastructure Income Fund

Management's Discussion and Analysis For the year ended December 31, 2007

The following Management's Discussion and Analysis ("MD&A") of Armtec Infrastructure Income Fund for the year ended December 31, 2007, should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto and other public disclosures available. In this MD&A, the terms "the Fund", "Armtec" or "the Company" mean Armtec Infrastructure Income Fund, together with the Fund's portion of its joint venture, Fixon-Armtec Ltd., and its subsidiaries: Armtec Operating Trust, Armtec Exchangeable Partnership, Armtec AEP GP Limited, Armtec Holdings Limited, Armtec Limited Partnership Corp. and Armtec Limited Partnership.

This MD&A has been prepared as at March 5, 2008. Additional information regarding the Fund, including continuous disclosure materials such as the Annual Information Form, is available on the Fund's website at www.armtecincomefund.com or through SEDAR at www.sedar.com. The Fund's units trade on the Toronto Stock Exchange under the symbol ARF.UN.

The financial information contained herein has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"); however, reference is made to earnings before interest, taxes (other than capital taxes), depreciation and amortization ("EBITDA") and distributable cash, including references to sustaining and generative capital expenditures that are not a measure of financial performance under Canadian GAAP. The Fund has included this information as it is used by management as a measure of financial performance and management believes it is used by certain investors and analysts as a measure of the Fund's financial performance. These measures are not necessarily comparable to similarly titled measures used by other income funds or companies and should not be construed as an alternative to net earnings or cash flow from operating activities as determined in accordance with Canadian GAAP or as a measure of liquidity. See the sections entitled "Liquidity, Distributable Cash and Distributions" and "Non-GAAP Measures" for further information.

Unless indicated otherwise, all dollar amounts, except per unit amounts, are expressed in thousands of Canadian dollars. All prior period results have been reclassified to conform to the current presentation.

Certain supplemental unaudited financial operating results for the years ended December 31, 2004, and 2003, have also been provided, as management believes this will assist the reader in understanding the operating results for the underlying business. The financial operating results for the year ended December 31, 2004 include a combination of the interim financial results of the Fund for the period July 27, 2004 to December 31, 2004 and the unaudited historical results of Armtec Holdings Limited and subsidiaries ("AHL") prior to the acquisition of AHL by the Fund on July 27, 2004. Results for 2003 pertain to AHL only. Readers are cautioned that these operating results are not the results of the Fund for the years ended December 31, 2004 and 2003, respectively, 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.

On October 1, 2007, the Fund acquired all of the outstanding shares of the corporations which, directly or indirectly, carried on the business of Con-Force Structures ("Con-Force"). Con-Force is a premier manufacturer and installer of precast and pre-stressed concrete components used in a variety of applications, including bridges, parkades, stadiums, commercial and residential buildings. With this transaction, the Fund has determined that the previously reported Armtec operation will continue as the Armtec division, a manufacturer of drainage products and engineered solutions for infrastructure applications. The newly acquired Con-Force operation will form a second division. The differentiating factors between the two operations are the unique products and services provided by each division.

Armtec is a leading manufacturer and marketer of drainage products and engineered bridging solutions for infrastructure applications in a diverse cross-section of industries. These include the public infrastructure market and private sector markets such as natural resources, commercial building, residential construction and agricultural drainage in Canada. The Fund's Armtec division is Canada's only national multi-material manufacturer specializing in corrugated high density polyethylene pipe, corrugated steel pipe for drainage applications and highly engineered solutions, including bridging products and water management systems. The Con-Force division designs and manufactures a wide range of bridging and construction products including the advanced "NU" bridge girder system that allows for some of the longest spans available in precast concrete technology.

Results of Operations

(in thousands of Canadian dollars unless otherwise noted)	Fourth Quarter		Year Ended	
	2007 (unaudited)	2006 (unaudited)	2007	2006
Revenue	\$ 70,768	\$ 35,825	\$ 206,226	\$ 166,166
Cost of sales	49,998	24,639	140,831	113,415
Amortization of property, plant and equipment	1,365	909	4,069	3,493
Gross margin	19,405	10,277	61,326	49,258
As a % of revenue	27.4%	28.7%	29.7%	29.6%
Distribution and warehousing	2,313	1,913	9,089	8,555
Selling, general and administrative	8,753	5,669	25,496	21,859
Amortization of intangible assets	3,609	555	5,578	2,428
Earnings from operations	4,730	2,140	21,163	16,416
Interest and financing expenses	(1,408)	(421)	(2,817)	(2,328)
Earnings before taxes	3,322	1,719	18,346	14,088
Interest and financing expenses	1,408	421	2,817	2,328
Total amortization	4,974	1,464	9,647	5,921
EBITDA	\$ 9,704	\$ 3,604	\$ 30,810	\$ 22,337
As a % of revenue	13.7%	10.1%	14.9%	13.4%

Overview

Armtec achieved record sales and earnings during fiscal 2007 with sales of \$206.2 million, representing an increase of \$40.0 million, or 24.1%, over 2006. These results incorporate the first full quarter of the Con-Force operations. Strong revenue increases were noted in infrastructure, agricultural, commercial and residential markets. Strength in the infrastructure markets, particularly in the very active Western Canadian marketplace and the incremental revenue from the Con-Force division, supported the Fund's year-over-year growth. The Fund also had significant growth in the commercial, agricultural and residential markets, offsetting declines experienced in the natural resources sector. A favourable product mix, combined with the continuing implementation of lean manufacturing initiatives, contributed to improved margins of 29.7%.

Full Year Results

REVENUE

For the year ended December 31, 2007, revenues were \$206.2 million, an increase of \$40.0 million, or 24.1%, over \$166.2 million in 2006. Of this increase, \$32.1 million related to the revenues generated by Con-Force, which was acquired by the Fund on October 1, 2007. With this transaction, management of the Fund determined that the previously reported operating segment that manufactures drainage products and engineered solutions for infrastructure applications will remain as the Armtec division and the new Con-Force division will form a second operating segment. In addition to the identification of two operating segments, the Fund has also identified a fifth market, commercial development. Revenues related to commercial development were previously classified as infrastructure in prior periods. The markets now include infrastructure, agriculture, commercial, residential, and natural resources.

After considering the effects of the Con-Force division, the Armtec division experienced an increase of \$7.9 million in revenues, or 4.8%, over the previous year. The improvement was due to improved sales into the infrastructure, agricultural, commercial and residential markets. Increased government spending on infrastructure projects in Western Canada and the improvement of agricultural installation conditions were responsible for revenue increases, offsetting international infrastructure sales declines. The Con-Force division recorded strong revenue reflecting the large backlog of public infrastructure and commercial projects the division is working on in Western Canada.

GROSS MARGIN

Gross margin for the year ended December 31, 2007, was \$61.3 million, an improvement of \$12.0 million over \$49.3 million in 2006. As a percentage of sales, gross margin increased slightly to 29.7% as compared to 29.6% in 2006. The improved margins were attributed to the increase in sales combined with a favourable product mix and continued lean manufacturing initiatives. Amortization of property, plant and equipment increased to \$4.1 million but remains consistent at 2% of sales for both 2007 and 2006.

EARNINGS FROM OPERATIONS

Earnings from operations for the year ended December 31, 2007, were \$21.2 million compared to \$16.4 million, an improvement of \$4.8 million or 28.9% over the previous year. Revenue growth through the Con-Force acquisition and improvements in revenue and gross margin levels in the Armtec division contributed to the improvement in operating earnings.

Selling, general and administrative expenses were \$25.5 million as compared to \$21.9 million for 2006. The largest increase relates to the inclusion of Con-Force since the acquisition on October 1, 2007. The Fund has non-recurring expenses of \$0.5 million due to one-time expenses related to the formation of the joint venture in South Korea, the establishment of a unitholders' rights plan, as well as training and process development related to the Armtec division Enterprise Resource Planning ("ERP") system launch. The Fund has continued to expand sales resources in active marketplaces to meet current customer and market demands and to support expanded product offerings.

Distribution and warehousing costs were \$0.5 million higher at \$9.1 million compared to 2006 at \$8.6 million. These costs vary with the volume of sales and mix of products sold requiring delivery service to the end customer.

Amortization of intangible assets increased significantly for the Fund in 2007 over 2006. As part of the transaction to acquire Con-Force, intangible assets related to trademarks, customer contracts, customer lists, an ERP system and non-compete agreements were acquired. Of the total \$53.6 million of intangible assets acquired, \$2.9 million was amortized, of which \$2.1 million was related to customer contracts during the fourth quarter. The Fund expects that the remaining \$3.6 million of amortization related to customer contracts will be recognized over the next year. The remaining increase in amortization related to additional intangible assets acquired in November 2006 for a culvert manufacturing operation. The Fund also entered into a licence agreement to sell BEBO™ Arch Structures in Central and Western Canada in July 2006, which contributed to the increase in intangible amortization.

Results by Segment

On October 1, 2007, the Fund acquired all of the outstanding shares of the corporations which, directly or indirectly, carry on the Con-Force business. Con-Force is a manufacturer and installer of precast and pre-stressed concrete components for a variety of applications, including bridges, parkades, stadiums, commercial and residential buildings. With this transaction management of the Fund determined that the previously reported operating segment which manufactures drainage products and engineered solutions for infrastructure applications will remain as the Armtec division and the new Con-Force division will form a second operating segment. The differentiating factors between the two segments are the unique products and services provided by each division. The change in the determination of segments is effective October 1, 2007.

ARMTEC DIVISION

Results of Operations (in thousands of Canadian dollars)	Fourth Quarter		Year Ended	
	2007 (unaudited)	2006 (unaudited)	2007	2006
Revenues to external customers	\$ 38,660	\$ 35,825	\$ 174,118	\$ 166,166
Earnings from operations	2,307	2,140	18,740	16,416

Revenue

Revenues for the Armtec division totalled \$174.1 million for the year ended December 31, 2007, an increase of \$7.9 million or 4.8% over \$166.2 million in 2006. The growth in revenues was due to improved sales into the infrastructure and commercial markets. Increased government spending on infrastructure projects, particularly in Western and Eastern Canada, offset declines within Central Canada and the international marketplace. Commercial markets representing applications such as storm water solutions for shopping centres and individual retail outlets also showed growth over 2006 levels. Commercial revenues have historically been included with infrastructure.

The division also had significant growth in the agricultural and residential markets, offsetting declines experienced in the natural resources sector. Agricultural installation conditions, primarily in Central Canada, improved in 2007 as

compared to 2006. Crop prices, which drive demand for drainage, have risen as a result of increased global demand in 2007. Residential installations remained strong in Western Canada throughout 2007 contributing to the growth in this market.

Pipe Product sales into the commercial, agricultural and residential markets increased significantly over 2006. In the agricultural market during 2007, installation conditions improved with drier spring weather allowing access to the fields before the growing season was underway. Increased sales of corrugated steel pipe ("CSP") and agricultural drainage in 2007 were partially offset by lower sales of corrugated high density polyethylene ("HDPE") pipe as compared to the product mix in 2006.

Engineered Product sales increased during 2007 as compared to 2006 levels. The nature and mix of project types vary year over year due to the larger scale of projects utilizing these solutions. Armtec entered into a distribution agreement with CONTECH® Stormwater Solutions late in the second quarter of 2006, which led to an increase in sales during 2007. The division also sold its first BEBO Arch structure - a product line also added in 2006. The new product sales offset a decline in gate projects. Engineered steel products experienced a small decline in 2007 as a result of the decline in international market activity.

The Standard Products group experienced flat sales year over year. An increase in guardrail systems across all regions of Canada offset the decline in Geosynthetic products. The strengthened Canadian dollar affected the selling price of Geosynthetic products, which are primarily sourced in the United States for distribution in Canada. In 2006, Armtec was successful on some unusually large Geosynthetic projects in Western and Eastern Canada and as a result, sales volumes last year were well in excess of historic averages resulting in an apparent decline in 2007. Geosynthetic sales levels in 2007 were consistent with average sales volumes, excluding the 2006 anomalies.

Earnings from Operations

Earnings from operations for the year ended December 31, 2007, were \$18.7 million, an improvement of \$2.3 million, or 14.2%, over \$16.4 million in 2006. Revenue growth, combined with improved margins, contributed to the growth in earnings. Offsetting improved margins were increased selling, general and administrative expenses which increased 3.4% over 2006.

Included in the operating earnings of the Armtec division are non-recurring expenses of \$0.2 million for one-time expenses related to the formation of the joint venture in South Korea and the establishment of a unitholders' rights plan. Sales resources were also expanded during the year, which allowed the division to meet current customer demands, particularly in the very active Western Canadian marketplace and support its expanded product offering. During 2007, the Armtec division continued the implementation of a new ERP system which went live in January 2008. Approximately \$0.3 million was incurred with respect to the new system. The division took the opportunity to re-evaluate and improve its business processes as part of the implementation. Towards the end of 2007, as the go live date approached, costs were incurred related to training of users on the new system. Training and process change costs are not eligible to be capitalized as part of the system installation.

Distribution and warehousing costs, which vary with the volume of sales and mix of products sold, were up 6.2% over the prior year. Amortization of intangible assets has increased 8.2% over the prior year as expected. In November 2006, Armtec acquired additional intangible assets through the purchase of Prairie Steel Products Ltd. and Prairie Steel Manufacturing ("Prairie Steel"), a manufacturing and distribution plant in Saskatchewan. These assets, comprising of customer lists and a non-compete agreement, commenced amortization in 2007. The Fund entered into a licence agreement to sell BEBO Arch Structures in Central and Western Canada in July 2006. The addition of this agreement also contributed to the 2007 increase in intangible amortization.

CON-FORCE DIVISION

Results of Operations (in thousands of Canadian dollars)	Fourth Quarter		Year Ended	
	2007 (unaudited)	2006 (unaudited)	2007	2006
Revenues to external customers	\$ 32,108	\$ -	\$ 32,108	\$ -
Earnings from operations	2,423	-	2,423	-

Revenue

Fiscal 2007 has been a record year for the operations of Con-Force, reflecting the strong public infrastructure and commercial markets in Western Canada. The fourth quarter was no exception to the record activity levels experienced throughout 2007 for the newly acquired Con-Force division. The division's revenues were driven by a combination of healthy public infrastructure investment in Western Canada and the division's continued focus on marketing efforts to grow its business. Revenues were derived from a number of bridge, traditional structural precast applications, architectural precast solutions, marine applications, and parkade projects. Standard products, consisting of precast utility vaults, manholes and highway barriers used in various construction and infrastructure applications, also contributed to revenue growth of the Fund.

Revenues for the Con-Force division totalled \$32.1 million for both the fourth quarter and year ended December 31, 2007. Revenue for the 12 months ended November 2007 was estimated at \$122.4 million. Con-Force benefited from some of the largest contract wins in its history. Throughout 2007, Con-Force has recognized revenues associated with significant projects across Western Canada. In the fourth quarter, revenues were derived from projects such as the Golden Ears bridge in British Columbia, a parkade for the Edmonton Airport and the Tecumseh parkade in Winnipeg.

Earnings from Operations

Earnings from operations for the year ended December 31, 2007, were \$2.4 million for the division's first quarter as part of the Fund. Earnings from operations are supported by both strong revenues and margins, which mitigated the effects of seasonality that are typically experienced in the Armtec division. The Con-Force division, throughout 2007, has undertaken a capital improvement plan to automate part of the production process and allow for a more effective use of the current facilities. The fourth quarter realized on some of these improvements. The division will continue the capital improvements into 2008. In addition to the capital program, Con-Force started the implementation of the Armtec lean manufacturing program and is off to a strong start in realizing the benefits of this process.

Earnings from operations were 7.5% of revenues. As a result of the acquisition of Con-Force, significant intangible assets were identified on which amortization commenced during the quarter. Contracts in backlog were assigned an intangible value of \$5.7 million. Based on the underlying contracts recognized in revenues, \$2.1 million was amortized in the quarter. The remaining balance is expected to be fully amortized throughout 2008. Earnings from operations as a percentage of revenues (adjusted for the amortization of the backlog) were 14% for the Con-Force division as compared to 10.8% for the Armtec division. The Con-Force product mix contains more highly engineered products than the Armtec division, which has a higher component of commodity and distribution products that typically realize lower margins as a percentage of revenues.

Net earnings of Con-Force for the 12 months ended November 2007, before the impact of purchase allocations, were \$17.5 million with corresponding EBITDA of \$27.9 million. The revenue volumes and margins achieved by Con-Force, during the last year, reflected the unprecedented infrastructure-related construction in Western Canada throughout 2007.

EBITDA

For the year ended December 31, 2007, EBITDA was \$30.8 million compared to \$22.3 million in 2006. The 37.9%, or \$8.5 million, increase was due to a 24.1% growth in revenue over 2006. Margins as a percentage of sales improved due to the application of Armtec's lean manufacturing program and a small improvement in product mix. These initiatives have resulted in continued improvements in operating margins, in spite of expense increases associated with the larger scale of the business, increased amortization of intangible assets due to acquisitions and some non-recurring expenses.

Interest and Financing Expenses

During the three and 12 months ended December 31, 2007, interest incurred on borrowings was \$1.1 million and \$2.4 million, respectively, compared to interest expense of \$0.4 million and \$2.3 million, respectively, for the three and 12 months ended December 31, 2006. On October 1, 2007, term facility borrowing levels increased \$48.0 million to \$65.0 million related to the Con-Force acquisition. As part of the acquisition, the Fund also assumed capital leases related to manufacturing equipment. Long-term debt balances were \$26.0 million at the end of September 30, 2007, and \$16.0 million at the end of December 31, 2006. During the first three quarters of the year, the Fund incurred nominal losses on the revaluation of the Fund's interest rate swap. The swap matured during the third quarter of 2007.

Income Taxes

As the Fund is a mutual fund trust for Canadian income tax purposes, income allocated to unitholders effectively reduces the Fund's current income tax to nil. On June 12, 2007, previously announced tax proposals pertaining to the taxation of income distributed by publicly listed income trusts and the tax treatment of trust distributions to their unitholders were substantively enacted. Management has reviewed the immediate impact of the enactment and has determined that there were no significant changes noted for the Fund. Management anticipates that the Fund will not be subject to income tax until January 1, 2011.

During the second quarter of 2007, the Fund paid \$0.6 million related to a reassessment of income taxes for periods prior to July 27, 2004, which had been provided for previously. 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 were reflected as a reduction of the original consideration paid resulting in the reduction of goodwill.

During the fourth quarter of 2007, the Fund paid \$2.7 million with respect to current income taxes related to the acquisition of Con-Force. The taxes paid relate to the taxation period preceding the acquisition.

Future income taxes are recognized as a result of temporary differences related primarily to the amortization of intangible assets present in the subsidiaries of the Fund. With the October 1, 2007 Con-Force acquisition, the Fund acquired \$53.6 million in intangible assets subject to amortization. Related to the increased intangible balance, a \$3.9 million recovery of future income taxes was recognized during the fourth quarter of 2007 as compared to \$1.2 million for the same period in 2006. For the year ended December 31, 2007, a \$4.5 million recovery was recognized (2006 – \$1.7 million).

Cash Flow

For the periods ended December 31 (in thousands of Canadian dollars)	Fourth Quarter		Year Ended	
	2007 (unaudited)	2006 (unaudited)	2007	2006
Cash provided by (used in):				
Operating activities	\$ 25,852	\$ 20,538	\$ 31,572	\$ 19,832
Investing activities	(100,613)	(8,409)	(102,615)	(18,182)
Financing activities	87,273	(12,112)	83,665	(1,634)
Effect of translation adjustment	(3)	-	(20)	-
Net increase in cash and cash equivalents	12,509	17	12,602	16
Cash and cash equivalents – beginning of period	119	9	26	10
Cash and cash equivalents – end of period	\$ 12,628	\$ 26	\$ 12,628	\$ 26

As at December 31, 2007, the Fund held cash of \$12,628 as compared to \$26 in the previous year. The Fund had working capital of \$29.7 million at December 31, 2007, an increase of \$6.7 million compared to working capital of \$23.0 million at December 31, 2006. Working capital has increased as a result of the Con-Force acquisition, offset by reductions in the Armtec division working capital levels. Management is of the opinion that this level of working capital is sufficient to meet short-term obligations.

Operating Activities

For the year ended December 31, 2007, the Fund generated \$31.6 million of cash from operations compared to cash generated of \$19.8 million in the comparative 2006 year. Cash of \$28.9 million was generated before the change in non-cash working capital primarily as a result of \$22.9 million in earnings. Cash generated before the change in non-cash working capital in 2006 was \$19.9 million, derived from earnings of \$15.8 million. An increase in earnings of \$7.1 million over the prior year contributed to the growth in cash from operations as well as a decrease of \$2.7 million in working capital levels.

Non-cash working capital generated \$2.6 million of operating cash flow, representing an increase of \$2.7 million over the \$0.1 million used in the prior year. This is due to collections of the Con-Force division accounts receivable, net of the satisfaction of liabilities (including income tax) assumed during the fourth quarter and lower Armtec division inventory levels compared to 2006 levels. The Fund's lean manufacturing initiatives resulted in improved management of working capital and this will remain a focus in 2008.

In accordance with the seasonal trends of the business, the Fund builds working capital during the summer months to meet the increased business volumes during the installation season. The Fund's revolving credit facility is available to finance these temporary increases in working capital needs.

Investing Activities

Cash used in investing activities totalled \$102.6 million for the year ended December 31, 2007, compared to \$18.2 million used in 2006. The year-over-year increase of \$84.4 million was primarily the result of the Con-Force acquisition on October 1, 2007. The Fund acquired all of the outstanding shares of the corporations that, directly or indirectly, controlled the business of Con-Force for total consideration of \$122.1 million. Of the consideration, \$98.7 million was paid in cash. Exchangeable equity units were issued for \$17.5 million. The remaining balance of \$5.9 million was paid in January 2008.

During the third quarter of 2007, \$0.5 million of cash was received with respect to an indemnification of income tax liabilities incurred prior to the July 2004 acquisition of Armtec Holdings Limited. The funds received were reflected as a reduction of the original consideration paid and reduced the carrying value of goodwill. A further \$0.3 million was utilized during 2007 representing the final payments related to the 2006 acquisitions of Twister Pipe Ltd. ("Twister") and Prairie Steel. These acquisitions accounted for the \$14.6 million use of funds in 2006.

Purchases of property, plant and equipment totalled \$4.4 million for 2007, an increase of \$1.4 million over expenditures of \$3.0 million in 2006. For 2007, purchases of property, plant and equipment included \$1.8 million of manufacturing equipment which is being leased to the Fund's joint venture in South Korea. The joint venture was formed on May 18, 2007, and manufactures Armtec bridge plate products for sale in the expanding South Korean marketplace. Further additions relate to the expansion of manufacturing capability and the purchase of additional parkade forms within the Con-Force operations for a total of \$0.6 million. In 2006, the purchase and installation of the HDPE production line in the Armtec division totalled \$1.6 million. A further \$0.2 million was spent during 2007 to complete the installation of the corrugator. The Armtec division continued to implement a new ERP system throughout 2007. Costs incurred for the system and other intangibles were \$0.4 million as compared to \$0.8 million in 2006. The new system went live in January 2008.

The joint venture manufacturing equipment, acquisition of the linear corrugator, the plant expansion, additional parkade forms and ERP system costs are considered generative for the purposes of determining distributable cash.

Financing Activities

Cash generated by financing activities during 2007 was \$83.7 million as compared to a utilization of cash of \$1.6 million in 2006. During 2007, the Fund raised net proceeds of \$56.9 million through an offering of additional units, and increased borrowings, net of repayments, by \$47.0 million as part of the acquisition of Con-Force. The Fund also incurred \$0.8 million in debt transaction costs related to the renegotiation of the Fund's credit facilities. The Fund paid \$19.4 million in distributions to unitholders. In 2006, the Fund raised net proceeds of \$23.5 million through an offering of additional units, repaid borrowings of \$9.2 million, incurred \$0.2 million renegotiating its credit facilities and paid \$15.7 million in distributions.

The Fund closed an offering of additional Fund units on October 1, 2007, issuing 3,705,000 units for net proceeds of \$56.9 million. The Fund used the issuance proceeds and funds from the revised credit facility to finance the cash payment of \$98.7 million for the acquisition of Con-Force. The Fund repaid \$1.0 million on the revolving portion of its credit facilities during the year.

During 2007, distributions paid to unitholders were \$19.4 million, of which \$3.1 million was declared and payable in respect of 2006 but paid in January 2007. A further \$4.7 million was declared and payable at December 31, 2007, for payment in January 2008. Regular distributions paid during the first nine months of 2007 were \$0.13 per unit and paid on 10,304,000 units outstanding, whereas distributions for the remaining three months of 2007 were \$0.14 per unit on 15,076,073 units outstanding which included 1,067,073 exchangeable partnership units. A special distribution was declared in December 2007 at \$0.17 per unit for payment in January 2008.

During 2006, an additional offering of 1,289,000 units for net proceeds of \$23.5 million was used as consideration for the acquisition of Prairie Steel and to partially repay the Fund's term credit facility. The Fund repaid \$9.2 million against its term and revolving credit facilities in 2006.

Distributions paid to unitholders in 2006 were \$15.7 million. The Fund increased distributions in February 2006 to \$0.12 per unit from \$0.11 per unit, and again in May 2006 to \$0.13 per unit. A special distribution was declared in December 2006 and paid in January 2007 for \$0.17 per unit. For the first nine months of 2006, distributions were

paid on 9,015,000 units outstanding. With the additional trust units issued in October 2006, distributions were paid on 10,304,000 for the remainder of the year.

Fourth Quarter Results

Revenues for the fourth quarter of 2007 increased \$35.0 million to \$70.8 million from \$35.8 million in 2006. Of this increase, \$32.1 million was due to the addition of Con-Force since the date of acquisition on October 1, 2007. The \$2.9 million or 7.9% increase in the Armtec division revenues was due to sales growth in most markets. Western Canadian sales into the natural resources, residential and commercial markets improved over 2006 levels. Sales for Pipe Products were very strong for CSP offsetting lower sales of HDPE. Engineered Product sales for the fourth quarter of 2007 increased over the prior year due to continued sales of CONTECH Stormwater treatment solutions and gate sales. Standard Product sales also improved slightly over the same period in 2006.

Gross margin for the three months ended December 31, 2007, was \$19.4 million, or 27.4%, of sales which was a \$9.1 million improvement over the \$10.3 million or 28.7% of sales in 2006. The improvement was primarily attributed to the inclusion of results of Con-Force and Armtec division sales increases combined with improved margins in the Armtec division.

Earnings from operations for the three months ended December 31, 2007, were \$4.7 million as compared to \$2.1 million in the same period in 2006. Warehouse and distribution costs were higher in 2007, associated with improved agricultural volumes. Selling, general and administrative cost increases during the quarter were primarily related to the addition of the Con-Force division. The Armtec division incurred additional costs in the quarter related to end-user training for the new ERP system in preparation for the January go live conversion.

Amortization of intangible assets increased over the comparative quarter in 2006 due to the additional intangible assets associated with the purchase of the precast concrete business. An amount of \$5.7 million was assigned to represent the value of contracts in process at the time of acquisition. This intangible asset is amortized as the related contracts are recognized in revenue. During the quarter, \$2.1 million was amortized. The remaining balance of \$3.6 million is expected to be amortized throughout 2008. Also contributing to the increase in amortization was the November 2006 Armtec division acquisition of intangible assets related to the purchase of the culvert manufacturing operation in Saskatchewan.

EBITDA for the three months ended December 31, 2007, more than doubled to \$9.7 million as compared to \$3.6 million in 2006. This growth is attributed to the addition of Con-Force as well as improved revenue levels and related margins in the Armtec division.

During the fourth quarter of 2007, the Fund generated \$8.7 million in operating cash flow before changes in non-cash working capital of \$17.2 million for a total of \$25.9 million in cash flow from operating activities. Cash generated was \$5.7 million higher than the \$3.0 million generated in 2006 due to the increase in earnings and the amortization of intangible assets associated with the Con-Force backlog as of October 1, 2007. During the fourth quarter of 2006, the Fund generated \$3.0 million in operating cash flow before changes in non-cash working capital of \$17.5 million for a total of \$20.5 million in cash flow from operating activities. The considerable change in non-cash working capital during the fourth quarters of both 2007 and 2006 followed the seasonal cash flow pattern of the business where receivables from the peak summer months are collected and inventories are reduced in preparation for the winter months.

Investing activities utilized \$100.6 million of cash in the fourth quarter of 2007 compared to \$8.4 million for the same period in 2006. The increase was primarily related to the \$122.1 million acquisition of Con-Force, of which \$98.7 million was paid in cash during the fourth quarter of 2007 compared to the \$7.1 million payment related to the acquisition of Prairie Steel during the same period in 2006.

Financing activities generated \$87.3 million in 2007 compared to \$12.1 million utilized in cash during the fourth quarter of 2006. During the fourth quarter of 2007, the Fund raised net proceeds of \$56.9 million through an offering of additional Fund units compared to a net issuance of \$23.5 million during the fourth quarter of 2006. The Fund also borrowed \$36.8 million in conjunction with the 2007 acquisition as compared to a repayment of debt of \$31.8 million in the fourth quarter of 2006. The additional offering and borrowings in 2007 were directed towards the acquisition of Con-Force. The proceeds from the 2006 offering were used to finance the purchase of Prairie Steel and reduce the term debt outstanding. As a result of the additional units outstanding and an increase in the level of distributions, amounts paid to unitholders during the fourth quarter totalled \$5.6 million, an increase of \$1.8 million, or 47.4%, over the previous year.

Outlook

During the fourth quarter of 2007, Armtec completed the transformational acquisition of Con-Force, a leading manufacturer and installer of precast and pre-stressed concrete components for a variety of applications, including bridges, parkades, stadiums, office and residential buildings. Con-Force has a more consistent revenue level throughout the year, and this will mitigate the effects of seasonality as in most markets, precast products can be installed throughout the year. Con-Force has experienced substantial growth over the last two years and has made significant capital investments to be able to accommodate the increased volumes and improve productivity as a result of the rapid growth in demand for precast solutions in Western Canada.

The outlook for Armtec's core drainage and engineered solution business as well as the new Con-Force division remains positive, as does the outlook for infrastructure spending due to the Con-Force project backlog and the multi-year commitments announced in the 2007 provincial budgets. Strong infrastructure spending in Western Canada and consistent activity across the rest of the country from the various levels of government will continue to support the demand for Armtec's products.

Agricultural markets have improved with crop prices rising due to increased demands for commodities. The strength in this market is expected to continue into 2008. No improvements are projected for natural resources markets in the near term. Investment activity in energy and mining projects is expected to continue, with essentially consistent results expected year over year. Forestry markets remain challenged due to low forestry and pulp and paper prices, mill closures as well as government mandated cutting restrictions. After a strong year in the residential building market, Canadian starts are expected to decline slightly in 2008 but remain well above historic averages. A new distribution arrangement in the U.S. market is expected to mitigate this impact.

The full-year impact of Con-Force operations as well as the 2007 capacity expansion in Alberta has further increased the Fund's scope in the active Western Canadian marketplace. The 2006 additions to Armtec's product offering, which included BEBO bridge products and CONTECH Stormwater Solutions, are expected to continue to contribute to the Fund's sales growth in the infrastructure market in 2008.

International project activity in 2007 was well below the volumes the Fund experienced in 2006. The Fund's international sales are generally part of large infrastructure projects and are subject to variability with customer delivery requirements. Early indications from 2008 would suggest some recovery in international volumes as a result of a significant pick-up in quotation activity in a broad range of projects. International project revenues will also be supported by the full-year impact of the greenfield manufacturing operation in South Korea, which was part of a joint venture that was finalized in the second quarter of 2007.

The majority of the Fund's revenues and purchases are in Canadian dollars. Some products are sold and purchases are sourced internationally in U.S. dollars however, management does not expect the strengthening Canadian dollar to have a significant impact on the results of the Fund.

Liquidity, Distributable Cash and Distributions

Definition and Disclosure of Distributable Cash

Distributable cash is not a defined term under Canadian GAAP but is determined by the Fund as cash flows provided by or used in operating activities less items not affecting cash, expenditures required to sustain the current state of operations, and the change in non-cash working capital.

Management believes that distributable cash is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash available for distribution to unitholders of the Fund by adjusting for the seasonality of the business via changes in non-cash working capital, adjusting for sustaining capital purchases and other items not affecting cash. Investors are cautioned, however, that distributable cash should not be construed as an alternative to using net earnings and comprehensive 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 from other issuers.

Distributable cash for the three and 12 months ended December 31, 2007, and 2006, is as follows:

For the periods ended December 31 (in thousands of Canadian dollars except unit and per unit amounts)	Fourth Quarter		Year Ended	
	2007 (unaudited)	2006 (unaudited)	2007	2006
Cash provided by (used in) operating activities	\$ 25,852	\$ 20,538	\$ 31,572	\$ 19,832
Items not affecting cash:				
Non-cash post-employment benefits expense	(77)	138	(105)	(72)
Loss on sale of property, plant and equipment	(11)	(17)	(389)	140
Items not affecting operating cash flow:				
Sustaining capital purchases	(751)	(634)	(1,327)	(1,364)
Net increase in non-cash working capital	(17,160)	(17,476)	(2,636)	109
Distributable cash	\$ 7,853	\$ 2,549	\$ 27,115	\$ 18,645
Distributable cash per unit	\$ 0.52	\$ 0.26	\$ 2.36	\$ 2.02
Distributions declared	\$ 8,895	\$ 5,770	\$ 20,951	\$ 15,867
Distributions declared per unit	\$ 0.59	\$ 0.56	\$ 1.76	\$ 1.68
Net earnings for the period	\$ 7,225	\$ 2,938	\$ 22,889	\$ 15,781
Basic and diluted earnings per unit	\$ 0.48	\$ 0.30	\$ 1.99	\$ 1.71
Weighted average number of units outstanding	15,076,073	9,953,728	11,506,824	9,251,611

Distributions declared for the three months ended December 31, 2007, and 2006, respectively, exceeded both distributable cash and net earnings. The distributable cash and net earnings exceeded the distributions declared for the 12 months ended December 31, 2007. For the same period in 2006 distributions declared were lower than distributable cash but slightly higher than net earnings. Distributions declared were less than cash provided by operating activities during both the three and 12 months ended December 31, 2007 and 2006 due to the effect of seasonality on working capital requirements.

The Fund does not believe that any portion of the distributions declared would be regarded as an economic return of capital as Armtec's business is seasonal and historically the annual cash provided by operating activities is in excess of annual distributions as is the case as at December 31, 2007, and 2006. The Fund expects cumulative cash provided by operating activities for the foreseeable future to exceed cumulative future distributions. The Fund expects cumulative distributions for the foreseeable future to exceed net earnings as a result of the nature of the temporary differences between net income and taxable income present in the Fund's subsidiaries.

Working Capital Policies and Effects on Distributable Cash

Armtec's business is seasonal, with sales and working capital ramping up as spring arrives and generally reaching peak levels during the summer months. This build-up of working capital during the first half of the year comprises receivables and inventory and is partially offset by increased payables. This ensures that the Fund can meet the increased business volumes during the summer months. As such, cash provided by operating activities and distributable cash generally may be negative until receivables are collected, inventory is reduced and payables are settled later in the year. This results in the Fund historically generating positive working capital nearing the end of the fiscal year. In order to maintain consistent distributions and sufficient working capital, the Fund historically draws upon its revolving credit facility during the first half of the year.

Relationship between Distributions, Investing and Financing Activities

The changes in working capital affecting cash provided by or used in operating activities when supplemented by net borrowings under the credit facility provide cash for the Fund's regular distributions to unitholders. Other changes affecting the Fund's ability to fund the regular distributions are investments in capital assets including property, plant and equipment and intangible assets as well as business acquisitions. When Armtec makes an acquisition, funds are drawn from existing credit facilities, an issuance of additional units or a combination of both.

Contractual Obligations

(in thousands of Canadian dollars)

	Payments due as at December 31						
	2008	2009	2010	2011	2012	Thereafter	Total
Term bank loan	\$ -	\$ -	\$ -	\$ -	\$ 65,000	\$ -	\$ 65,000
Long-term incentive plan	366	-	-	-	-	-	366
Capital obligations	870	-	-	-	-	-	870
Operating leases	2,215	1,727	1,360	1,193	948	1,492	8,935
Capital leases	430	430	492	383	173	-	1,908
Total	\$ 3,881	\$ 2,157	\$ 1,852	\$ 1,576	\$ 66,121	\$ 1,492	\$ 77,079

The Fund's capital obligations are expected to be paid out of funds from operations. The Fund's unfunded post-employment obligation was \$6.7 million and \$6.6 million at December 31, 2007, and 2006, respectively. Post-employment obligations are expected to be settled as incurred. See sections entitled "Capital Resources" and "Off-Balance Sheet Arrangements" of this MD&A for more information about items that may affect distributable cash in the future.

Definition, History and Management Strategy of Productive Capacity

Armtec's business is seasonal and, due to the nature of the products, is often affected by the distance from manufacturing location to installation site. The Con-Force division is less affected by seasonality but is significantly affected by proximity to the customer and as a result, the Con-Force facilities may not run at full capacity depending on the timing of construction contracts underway. As a result, management does not measure total productive capacity.

The Fund continues to make investments in regional productive capacity by investing in sustaining capital expenditures that are defined as those investments in property, plant and equipment and intangible assets that allow the current capacity of the Fund to be maintained. Management estimates that approximately \$3.4 million will be spent on an annual basis for sustaining capital expenditures in order to maintain the Fund's manufacturing ability. Management expands productive capacity by making generative capital purchases defined as those investments in property, plant and equipment and intangible assets that add to manufacturing capacity or further diversify Armtec's product offerings.

The following table reconciles the purchases of sustaining and generative capital expenditures to the purchases of property, plant and equipment, as well as intangible assets:

For the years ended December 31 (in thousands of Canadian dollars)	Fourth Quarter		Year Ended	
	2007 (unaudited)	2006 (unaudited)	2007	2006
Sustaining capital purchases	\$ 751	\$ 634	\$ 1,327	\$ 1,364
Generative capital purchases	1,320	707	3,513	2,437
Total purchases	\$ 2,071	\$ 1,341	\$ 4,840	\$ 3,801
Purchase of property, plant and equipment	\$ 1,869	\$ 1,166	\$ 4,440	\$ 3,019
Purchase of intangible assets	202	175	400	782
Total purchases	\$ 2,071	\$ 1,341	\$ 4,840	\$ 3,801

Sustaining capital expenditures excludes assets that are considered generative. Generative expenditures for the year ended December 31, 2007, included: \$1.8 million related to manufacturing equipment to be used in the South Korean joint venture, \$0.4 million related to the continuing implementation of the ERP system, \$0.3 million related to an expansion of a Con-Force plant, \$0.3 million related to parkade forms and \$0.2 million related to the installation of the HDPE production line in Lethbridge, Alberta. For the year ended December 31, 2006, the generative related expenditures included \$1.6 million for the purchase and installation of the linear corrugator, \$0.5 million related to the new ERP system and \$0.2 million for the acquisition of the BEBO distribution licence.

Management's strategy in respect of productive capacity, beyond continued investments in maintaining capacity, is to continually seek ways to improve operational efficiencies while balancing capacity in the Fund's various operations. Initiatives affecting productive capacity are the continuous improvements obtained from lean manufacturing activities.

See the section entitled “Risks and Uncertainties” for further information about various risks potentially affecting productive capacity.

Financing Strategy and Compliance with Financial Covenants

The Fund has credit facilities that provide for cash requirements in response to changes in working capital needs. Armtec anticipates continually renewing current debt facilities as required. See the section entitled “Capital Resources” for further discussion.

The Fund regularly monitors current and forecasted debt levels to ensure debt covenants are not violated. Generally, the most significant financing restrictions relate to permitted investments and distributions, as well as the incurrence and maintenance of certain financial ratios. These financial ratios are primarily linked to trailing operating earnings before interest, taxes, depreciation and amortization adjusted for certain inclusions and exclusions. The Fund must maintain a ratio below a certain threshold of debt over adjusted earnings as referred above. The Fund must also maintain a ratio above a certain threshold of adjusted earnings as referred to above over interest paid. The Fund meets all financial covenants as at December 31, 2007.

Distributions

The Fund makes 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 of \$8.9 million and \$21.0 million were declared for the three- and 12-month periods ended December 31, 2007, as compared to \$5.8 million and \$15.9 million for 2006. Included in these distributions was a special distribution of \$0.17 per unit declared in December 2007 (December 2006 – \$0.17 per unit). Distributions are financed through cash from operations and seasonal borrowings under the revolving credit facility.

Distributions for the year ended December 31, 2007 were as follows:
(in Canadian dollars except per unit amount)

Period	Record date	Payment date	Per unit	Amount
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
July 2007	July 31, 2007	August 15, 2007	0.13	1,339,520
August 2007	August 31, 2007	September 14, 2007	0.13	1,339,520
September 2007	September 28, 2007	October 15, 2007	0.13	1,339,520
October 2007	October 31, 2007	November 15, 2007	0.14	2,110,650
November 2007	November 30, 2007	December 14, 2007	0.14	2,110,650
December 2007	December 31, 2007	January 15, 2008	0.14	2,110,650
Special Distribution	December 31, 2007	January 25, 2008	0.17	2,562,932
			\$ 1.76	\$ 20,950,562

Capital Resources

Concurrent with the October 1, 2007 closing of the Con-Force acquisition, the Fund completed amendments to its existing term and revolving credit facilities. The term financing, held by Armtec Operating Trust, increased from a maximum level of \$35.0 million to \$65.0 million. The revolving facility, available to Armtec Limited Partnership, increased from a maximum of \$25.0 million to \$40.0 million. The credit facilities mature in October 2012 and both bear interest at variable rates. There are no mandatory principal repayments on the term or revolving facilities prior to maturity.

The acquisition of Con-Force, including transaction costs, was funded by the proceeds from the issuance of additional Fund units and securities exchangeable into units of the Fund. Additional funds required were drawn from the credit facilities and existing cash balances. As at December 31, 2007, the \$65.0 million term facility was fully drawn as required under the terms of the credit agreement while \$nil was outstanding on the revolving credit facility.

Due to the seasonality of the business, the revolving credit facility is available to support temporary cash requirements for working capital and distributions.

Although anticipated cash distributions to unitholders are not commitments at December 31, 2007, the Fund is required to distribute an amount equal to or greater than its taxable income in order to eliminate the Fund's income tax liability. The distribution declared in respect of January 2008 was \$0.15 per unit or \$1.80 per unit annually, if held throughout a 12- month period.

Financial Instruments

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, and accounts payable and long-term debt have been classified as other financial liabilities.

The Fund may from time to time enter into forward contracts to reduce its exposure to fluctuations in foreign exchange rates. The Fund may also enter into interest rate swaps to reduce its exposure to fluctuations in interest rates. The Fund may elect to apply hedge accounting for foreign exchange forward contracts and interest rate swaps if certain criteria are met, including documenting all relationships between hedging instruments and hedged items, as well as the Fund's risk management objective and strategy for undertaking various hedge transactions. The Fund may, at its discretion, decide to discontinue hedge accounting for a specific hedging relationship by terminating the designation of that relationship. If the Fund does not account for forward contracts and interest rate swaps using hedge accounting, these instruments are measured at fair value with changes recognized in earnings. The fair value of the interest rate swap would be included with current assets.

The Fund does not use any derivative financial instrument for speculative purposes.

The Fund has exposure to movements in interest rates. The Fund entered into an interest rate swap to convert the interest expense on the term credit facility from a floating interest rate to a fixed interest rate. The Fund applied mark-to-market accounting for its interest rate swap as it did not apply hedge accounting to this instrument. There was no swap outstanding as at December 31, 2007 (2006 – \$11.5 million). While outstanding during the year, the contract was revalued to market value resulting in a realized loss of \$43 for the year ended December 31, 2007 (2006 – unrealized gain of \$13).

The carrying values of cash and cash equivalents, accounts receivable, other assets, and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments. The fair value of the Fund's long-term debt approximates its carrying value as it bears interest at a floating rate. During the year, the fair value of the interest rate swap was estimated based on the amount that would need to be paid or would be received to terminate the agreement as of the balance sheet date.

Off-Balance Sheet Arrangements

The Fund's off-balance sheet arrangements consist of operating leases. Operating leases are for facilities and vehicles with market terms and do not have associated escalating rent or make-good provisions that materially affect the financial statements. Please see note 19 of the separately issued consolidated financial statements of the Fund for disclosure of these operating leases.

Outstanding Unit Data

An unlimited number of trust units may be issued by the Fund 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. Each unit entitles the holder to one vote at all meetings of unitholders. Concurrent with the acquisition of Con-Force on October 1, 2007, 3,705,000 additional units were issued in a public offering. As at March 5, 2008, there are 14,009,000 trust units issued and outstanding.

As part of the consideration with the Con-Force acquisition on October 1, 2007, the Fund issued 1,067,073 exchangeable partnership units of Armtec Exchangeable Partnership. An unlimited number of exchangeable partnership units may be issued by Armtec Exchangeable Partnership. Holders of each exchangeable partnership unit are entitled to distributions from Armtec Exchangeable Partnership at the same time and in the same amount, on a unit-for-unit basis, as distributions made by the Fund to holders of Fund units. Each exchangeable partnership unit is non-transferable without approval from the general partner, Armtec AEP GP Limited. All exchangeable partnership units are of the same class with equal rights and privileges. Exchangeable partnership units are non-voting. Exchangeable partnership units are exchangeable into units of the Fund on a unit-for-unit basis provided that the holder of the exchangeable partnership units must exchange at least 1/6 of the original number of exchangeable

partnership units issued to such holder at a time. The exchangeable partnership units or, in the event that such units are exchanged for units of the Fund, Fund units are subject to the terms of an escrow arrangement entered into in connection with the Con-Force acquisition.

As at March 5, 2008, the number of units issued and outstanding using the "if converted" method is 15,076,073.

Selected Financial Information

(in thousands of Canadian dollars except for unit data)

	The Fund 2007	The Fund 2006	The Fund 2005	The Fund July 27, 2004 to December 31, 2004	2004 (unaudited)	2003 (unaudited)
Revenue	\$ 206,226	\$ 166,166	\$ 154,904	\$ 77,441	\$ 143,445	\$ 122,199
Net earnings	22,889	15,781	12,243	6,196	5,268	2,854
Basic and diluted earnings per unit	1.99	1.71	1.36	0.69	N/A	N/A
Distributions per unit	1.76	1.68	1.50	0.86	N/A	N/A
EBITDA (unaudited)	30,810	22,337	19,114	9,037	12,361	12,270
Total assets	326,627	156,394	145,501	148,451	148,451	102,591
Total long-term debt	65,549	16,044	25,225	25,000	25,000	28,654

On October 1, 2007, the Fund acquired all of the outstanding shares of the corporations which, directly or indirectly, carried on the Con-Force business. Concurrent with the acquisition, the Fund issued 3,705,000 units increasing the total issued and outstanding units to 14,009,000 from 10,304,000 units. The Fund also completed an issuance of 1,067,073 exchangeable partnership units of Armtec Exchangeable Partnership. Also concurrent with the acquisition, the Fund completed amendments to its existing term and revolving credit facilities with the term facility borrowing levels increasing from \$48.0 million to \$65.0 million and revolving facility borrowing levels increasing from \$25.0 million to \$40.0 million. For the 12 months ended December 31, 2007, the weighted average of number of units outstanding was 11,506,824. For the purposes of weighted average number of units outstanding, the exchangeable partnership units were treated as if the units were converted to equivalent units of the Fund at the time of issuance on October 1, 2007.

On October 26, 2006 the Fund issued 1,289,000 units increasing the total issued and outstanding units to 10,304,000 from 9,015,000 units. For 12 months ended December 31, 2006, the weighted average of number of units outstanding was 9,251,611.

For the year ended December 31, 2005 and the period from July 27, 2004, to December 31, 2004, the average number of units outstanding was 9,015,000. The operating results for the full year ended December 31, 2004, consist of the operating results of Armtec Holdings Limited for the period between January 1, 2004 and July 26, 2004, prior to the acquisition by the Fund on July 27, 2004, in addition to the results of the Fund for the period between July 27, 2004 and December 31, 2004. These operating results may not be indicative of the operating results of the Fund for a full year. The 2004 EBITDA includes certain unusual and non-recurring charges relating to the IPO totalling \$4.8 million.

Operating results for the year ended December 31, 2003, pertain to Armtec Holdings Limited. The operating results for these periods are shown for comparative purposes only.

Summary of Quarterly Results

(in thousands of Canadian dollars except for unit data)
(unaudited)

Three months ended	Dec 31, 2007	Sep 30, 2007	Jun 30, 2007	Mar 31, 2007	Dec 31, 2006	Sep 29, 2006	Jun 30, 2006	Mar 31, 2006
Revenue	\$ 70,768	\$ 63,847	\$ 49,763	\$ 21,848	\$ 35,825	\$ 60,079	\$ 49,822	\$ 20,440
Net earnings (loss)	\$ 7,225	\$ 11,026	\$ 6,950	\$ (2,312)	\$ 2,938	\$ 9,751	\$ 6,711	\$ (3,619)
Basic and diluted earnings (loss) per unit	\$ 0.48	\$ 1.07	\$ 0.67	\$ (0.22)	\$ 0.30	\$ 1.08	\$ 0.74	\$ (0.40)

Armtec's business is seasonal, with sales ramping up as spring arrives and generally reaching peak levels in the summer months. As such, losses in the first quarter are not unexpected with the Company historically generating positive net earnings throughout the remainder of the year. A revolving credit facility is available to allow regular distributions and working capital investments during slower quarters.

Non-GAAP Measures

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")

References to EBITDA are to earnings before interest, taxes (other than capital taxes), depreciation and amortization. Management believes that in addition to net earnings, EBITDA is a useful supplemental measure of cash available for distribution prior to debt service, changes in working capital, capital expenditures and income 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 and comprehensive earnings 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 named measures used by other issuers.

The Fund For the periods ended December 31 (in thousands of Canadian dollars)	Fourth Quarter		Year Ended	
	2007 (unaudited)	2006 (unaudited)	2007	2006
Earnings for the period	\$ 7,225	\$ 2,938	\$ 22,889	\$ 15,781
Recovery of future income taxes	(3,903)	(1,219)	(4,543)	(1,693)
Amortization of property, plant and equipment	1,365	909	4,069	3,493
Amortization of intangible assets	3,609	555	5,578	2,428
Interest and financing expenses	1,408	421	2,817	2,328
EBITDA	\$ 9,704	\$ 3,604	\$ 30,810	\$ 22,337

Con-Force For the 12 months ended November 30 (in thousands of Canadian dollars)	2007
Earnings for the period	\$ 17,515
Provision for future income taxes	6,378
Amortization of property, plant and equipment	1,870
Amortization of intangible assets	13
Interest and financing expenses	2,149
EBITDA	\$ 27,925

See the section entitled "Liquidity, Distributable Cash and Distributions" of this MD&A for the disclosure definition and of distributable cash that is not a recognized measure under Canadian GAAP.

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 consolidated financial statements, which have been prepared in accordance with Canadian GAAP. The preparation of these consolidated financial statements requires the Fund to make estimates and judgments 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 judgments, particularly those related to the determination of the estimated recoverable amount of accounts receivable, inventory, goodwill and intangible assets, post-employment benefit liabilities and future income taxes. 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 judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Armtec believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements. No known trends, commitments, events or other uncertainties are currently believed to materially affect the assumptions used. Please see the separately issued consolidated financial statements of the Fund for the estimates discussed and if applicable, changes in these estimates.

Revenue Recognition

The accounting principles used by the Fund to account for its construction contracts involve the use of estimates. Construction revenue, construction costs, deferred contract revenue and costs and estimated earnings in excess of billings include amounts derived on the percentage-of-completion basis. Percentage of completion is calculated based on relating the actual units of work performed to the estimated total units of the respective contract. Any excess of progress billings over earned revenue determined on a percentage-of-completion basis is carried as deferred contract revenue in the financial statements. Any excess of costs and estimated earnings over progress billings on construction contracts is carried as unbilled revenue in the financial statements.

Revenue and estimated costs to complete each contract are updated and reviewed by management at least once each financial reporting period. In making such estimates, judgments are required to evaluate issues related to scheduling, material costs, labour costs, labour productivity and sub-contractor costs. Due to the nature of construction contracts, estimates may change significantly from one accounting period to the next.

The value of many construction contracts increases over the duration of the construction period. Change orders may be issued by customers to modify the original contract scope of work or conditions. Construction work related to a change order may proceed, and costs may be incurred, in advance of final determination of the value of the change order. Revenue on change orders is recognized by the Fund to the extent that management estimates that realization is probable. As many change orders are settled at the end of the construction project, significant increases or decreases in revenue and income may arise during any period.

Inventory

Inventory is valued at the lower of cost or net realizable value for raw materials and finished goods. Cost is determined based on standards, which approximate actual cost as determined on an average cost basis. While management has applied judgment based upon assumptions believed to be reasonable in the circumstances, actual results may vary from these assumptions.

Goodwill and Intangible Assets

Goodwill is recorded at cost and is not amortized. Intangible assets consist primarily of trademarks and trade names, customer contracts, customer lists, ERP systems, non-compete agreements, licences and development charges. These assets are amortized over their estimated useful lives. Management has determined, using appropriate valuation methodologies, that there was no impairment in goodwill balances at December 31, 2007, and 2006. If future operating results for Armtec are less favourable than those projected by management, a write-down of goodwill or intangible assets may be required.

Post-Employment Benefits

Post-employment benefits are accounted for on an accrual basis within the Armtec segment. The expected costs of employees' post-employment benefits are expensed during the years that employees render services and an accumulated post-employment benefit obligation is recognized. The Fund's obligation under such plans is determined annually by independent actuaries using management's assumptions and the attribution method. Actual post-employment benefit costs may differ materially from management's estimates.

Future income taxes

Future income tax assets and liabilities result from the temporary difference between the financial reporting and tax bases of assets and liabilities. Future income tax assets and liabilities are measured using substantively enacted rates and laws that are expected to be in effect when the temporary differences are estimated to reverse. To the extent that management does not consider it more likely than not that all or a portion of a future tax asset will be realized, a valuation allowance is provided. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next and affect the consolidated financial statements.

Accounting Policy Changes Including Initial Adoptions

INITIAL ADOPTIONS AND APPLICATIONS OF ACCOUNTING PRONOUNCEMENTS

Financial Instruments

Effective January 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants (“CICA”) Section 1530, “Comprehensive Income”, Section 3855, “Financial Instruments – Recognition and Measurement”; Section 3861, “Financial Instruments – Disclosure and Presentation”; and Section 3865, “Hedges”. The adoption of these new financial instrument standards resulted in changes in the accounting for financial instruments, as well as the recognition of certain transition adjustments that have been recorded on the balance sheet as described below. The principal changes in the accounting for financial instruments due to the adoption of these accounting standards are described below.

a) Comprehensive income

Comprehensive income is a change in net assets arising from transactions and other events and circumstances from non-owner sources. The components of comprehensive income are disclosed in the Statement of Changes in Unitholders’ Equity and for the Fund this includes other comprehensive income of unrealized losses on translating financial statements of self-sustaining foreign operations. Other than presentation, the adoption of CICA Section 1530 had no effect on the Fund’s consolidated financial condition on the date of adoption.

b) Financial assets and liabilities

Under the new standard, all financial assets and liabilities 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 assets and liabilities within the scope of the standard are included in the consolidated financial statements and are initially measured at fair value. Subsequently, all financial assets and liabilities 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 assets and liabilities 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 assets and liabilities are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until they are derecognized or impaired.

As a result of the adoption of these standards, the Fund has classified its financial assets and liabilities as disclosed in Note 2 of the separately issued consolidated financial statements of the Fund. There were no significant changes for the accounting of financial instruments in the consolidated financial statements except for the reclassification of debt transaction costs in the amount of \$403. The costs of obtaining debt financing were previously reported as a part of intangible assets and are now net against the carrying value of the related debt and amortized into interest expense using the effective interest rate method.

c) Hedges

CICA Section 3865 allows qualifying transactions to be designated as hedges for accounting purposes. The section establishes criteria for documenting relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Hedges may be designated as either fair value hedges or cash flow hedges. The adoption of CICA Section 3865 had no effect on the Fund’s consolidated financial condition on the date of adoption.

Equity

Effective January 1, 2007, the Fund adopted CICA Section 3251, “Equity”, which establishes standards for the presentation of equity and changes in equity during the reporting period. The main feature of this section is a requirement for an entity to present separately each of the changes in equity during the period, including accumulated other comprehensive income, as well as components of equity at the end of the period. Other than presentation, the adoption of CICA Section 3251 had no effect on the Fund’s consolidated financial condition on the date of adoption.

Accounting Changes

Effective January 1, 2007, the Fund adopted CICA Section 1506, “Accounting Changes”, which establishes criteria for changes in accounting policies along with the accounting treatment and disclosures required upon adoption of new accounting policies, estimates and corrections of errors. The adoption of CICA Section 1506 had no effect on the Fund’s consolidated financial condition on the date of adoption.

Foreign Currency Translation

During the second quarter of 2007, it was determined that the foreign operations of the Fund's joint venture were self-sustaining and the policy, as presented in Note 2 of the separately issued consolidated financial statements of the Fund, was applied.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

a) Capital disclosures

The CICA issued Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information regarding the entity's objectives, policies and processes for managing capital and what the entity regards as capital. The standard is effective and the Fund will adopt it for interim and annual periods commencing in the Fund's 2008 fiscal year. The Fund's adoption of the standard is not expected to have a material effect on the Fund's consolidated financial condition.

b) Financial instruments – disclosure and presentation

The CICA issued Section 3862, "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation", which revises and enhances certain disclosure requirements including the significance of financial instruments on the entity's financial condition, the nature and extent of risks arising from financial instruments and how these risks are managed. The standard is effective and the Fund will adopt it for interim and annual periods commencing in the Fund's 2008 fiscal year. The Fund's adoption of these standards is not expected to have a material effect on the consolidated financial condition.

c) Inventories

The CICA issued Section 3031, "Inventories", which requires inventory to be measured at the lower of cost and net realizable value. The standard provides guidance on the types of costs that can be capitalized and requires the reversal of previous inventory write-downs if economic circumstances change. The standard is effective and the Fund will adopt it for interim and annual periods commencing in the Fund's 2008 fiscal year. The Fund's adoption of the standard is not expected to have a material effect on the consolidated financial condition.

d) Goodwill and intangible assets

The CICA issued Section 3064, "Goodwill and Intangible Assets", which establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The standard is effective and the Fund will adopt it for interim and annual periods commencing in the Fund's 2009 fiscal year. The Fund has not yet determined the impact of the adoption of this standard on its consolidated financial condition.

e) International financial reporting standards

The CICA has discussed plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The Fund is monitoring and reviewing CICA plans to make the transition to IFRS. The Fund has not yet determined the impact on its consolidated financial condition.

Controls and Procedures

The Chief Executive Officer and Interim Chief Financial Officer have evaluated the effectiveness of the design of the disclosure controls and procedures of the Fund as of December 31, 2007. These procedures are designed to ensure that information requiring disclosure is recorded, processed, summarized and reported on a timely basis as well as accumulated and communicated to the Fund's management team as appropriate to allow for timely required disclosures.

Management of the Fund does not expect that the disclosure controls will prevent or detect all misstatements due to error or fraud. Because of the inherent limitations in all control systems, an evaluation of disclosures controls can provide only reasonable, not absolute assurance that all disclosure issues, if any, within the Fund have been detected. Based on the evaluation of controls, management has concluded that the design of the disclosure controls and procedures is effective in all material respects at the end of the year.

Management is also responsible for the design of internal controls over financial reporting within Armtec in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has evaluated the design of the Fund's internal controls and procedures over financial reporting as of the end of December 31, 2007 for the Armtec division, and believes the design to be sufficient to provide such reasonable assurance. The Fund has previously identified the need for improvement concerning segregation of duties. These matters and their related risks are not

uncommon in a company of Armtec's size. To date, the Fund has commenced the implementation of an ERP system within the Armtec division, utilized external advisors and taken such other action as it has considered appropriate to minimize these risks.

The Fund acquired the Con-Force business on October 1, 2007. Armtec is continuing the documentation and assessment of the design of internal controls over financial reporting for that business and will finalize the review during 2008, following the completion of restructuring and integration initiatives. The review will determine whether or not the internal controls of the Con-Force division meet the standards applied by Armtec to the balance of its businesses, and if not, how those controls will be brought into compliance with Armtec standards.

Proposed Transactions

In July 2007, the Fund signed an agreement with the City of Saskatoon for the expropriation of part of the Saskatoon location for proceeds of \$1.2 million with an original closing date of November 2007. The closing date has been delayed pending the City's completion of the severance of the property to be sold. The current operations will not be required to move to a new location until May 2009.

Risks and Uncertainties

The Fund is subject to certain risks and uncertainties that could have a material adverse effect on the Fund's results of operations, business prospects, financial condition, cash distributions to unitholders and the trading price of the Fund's units.

Industry Cyclicity

The demand for pipe, engineered solutions, precast and pre-stressed concrete, as well as related infrastructure products, is cyclical and is driven by public infrastructure spending, commercial development, natural resources activity, residential construction and agricultural drainage requirements. The diverse factors driving infrastructure investment activity in these end-markets result in stability of overall demand for suppliers such as Armtec. To the extent that these investments decline or these markets experience a downturn, it is likely a negative impact will be felt on the infrastructure industry and Armtec's financial condition.

Competition

The Fund believes that the Armtec division is a market leader in the corrugated HDPE pipe, CSP and related engineered products markets in Canada. There are several large companies based in the United States that offer similar products in comparable markets in the United States. Certain of these companies currently compete in Canada in the same regional markets but currently lack the network of facilities in Canada close to the Armtec division's customers to compete on a broader scale. However, a rising Canadian dollar exchange rate or a change in regulations may make the Canadian market more attractive to these companies.

The Con-Force division has been providing product to governmental agencies for more than 40 years and is a respected, proven quality supplier. With its proximity to customers and established supplier and customer relationships, the Fund believes that the Con-Force division can continue to compete successfully primarily in Western Canada. To the extent that alternatives to precast and pre-stressed concrete are developed by competitors that offer similar construction qualities, the business of Con-Force division could be materially affected.

The Fund believes that the success of Armtec's business depends on its ability to continue to anticipate and respond to changing customer demands and market conditions by offering a constantly evolving array of engineered solutions with an emphasis on quality and value-added products and services. However, there can be no assurance that superior competing products will not be developed by its competitors.

Acquisition and Expansion Risk

The Fund may expand its operations, depending on certain conditions, by acquiring additional businesses, products or technologies. There can be no assurance that the Fund will be able to identify, acquire or profitably manage additional businesses, or successfully integrate any acquired business, products, or technologies into the business without substantial expenses, delays or other operational or financial difficulties. There can be no assurance that acquired businesses, products or technologies, if any, will achieve anticipated revenues and income.

In connection with acquisitions completed by the Fund, there may be liabilities and contingencies that the Fund failed to discover or were unable to quantify in its due diligence which it conducted prior to the execution of the acquisition, and the Fund may not be indemnified for some or all of these liabilities and contingencies. The existence of any material liabilities or contingencies could have a material adverse effect on the Fund's business, financial condition

and results of operations. Furthermore, acquisitions may involve a number of special risks including diversion of management's attention, failure to retain key personnel and unanticipated events or circumstances, some or all of which could have a material adverse effect on the Fund's performance.

The failure of the Fund to manage its acquisition or expansion strategy successfully could have a material adverse effect on the Fund's results of operations and financial condition.

On October 31, 2006, the Minister of Finance announced restrictions to the growth of income trusts. These restrictions, which are set out in the Normal Growth Guidelines issued by the Department of Finance on December 15, 2006, and which were enacted as part of Bill C-52, received Royal Assent on June 22, 2007. These restrictions are discussed in the separately released Annual Information Form under "Risks Related to the Structure of the Fund – Income Tax Matters", could have an adverse effect on the ability to grow or re-finance existing credit facilities.

Capital and Liquidity Risk

The amount of financial resources available to invest in the Fund's growth is dependent upon the ability to utilize debt and issue additional units. As the Fund operates it will likely require access to debt and equity markets. There is no assurance that the Fund will be able to obtain additional financial resources that may be required to successfully compete in its markets on favourable commercial terms. Failure to obtain such financing could result in the delay or abandonment of certain strategic plans for product manufacturing and development. On October 31, 2006, the Canadian Federal government introduced restrictions to the growth of income funds. These restrictions, which are set out in the Normal Growth Guidelines issued by the Department of Finance on December 15, 2006 and which were enacted as part of Bill C-52, received Royal Assent on June 22, 2007. These restrictions could impact the Fund's ability to raise funds required to execute on all potential opportunities. Please see the separately released Annual Information Form under "Risks Related to the Structure of the Fund – Income Tax Matters".

The Fund's current credit facilities require Armtec to comply with certain financial covenants. Additionally, certain of the Fund's credit facilities become due for renewal from time to time. There can be no assurance of Armtec's ability to continue to comply with the financial covenants to appropriately service its debt or obtain continued commitments from debt providers given unforeseen events.

Reduction in Demand for Products

The Fund derives revenue from customers in a diverse cross-section of industries, including the public infrastructure markets and private sector markets such as natural resources, commercial development, residential construction, and agricultural drainage in Canada. Its sales to the public infrastructure markets could be adversely affected by changes in government, reductions in government spending or changes in governmental policies, regulations or standards, including changes made by the Canadian Standards Association. With respect to the private sector markets, there is a risk that the Fund will not continue to receive the level of order volumes from customers in such markets in the future due to a general economic downturn, increased competition or other factors. In addition, demand for the Fund's products in a particular period may be adversely affected if the weather conditions experienced in the period are not conducive to the installation of such products.

Information Management

The integrity, reliability and security of information in all its forms are critical to the Fund's daily and strategic operations. Inaccurate, incomplete or unavailable information and/or inappropriate access to information could lead to incorrect financial and/or operational reporting, poor decisions, privacy breaches and/or inappropriate disclosure or leaks of sensitive information.

Credit Risk

The Fund's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, accounts receivable and notes receivable. The Fund's credit risk for cash and cash equivalents is reduced as balances are held with major financial institutions. The Fund is also exposed to credit risk from potential default by any of its counterparties on its foreign exchange forward contracts. The Fund manages this credit risk by dealing with counterparties that are major financial institutions and which the Fund anticipates will satisfy its obligations under the contracts.

The Fund is dependent in part on the viability of its customers for collections of trade accounts receivable and notes receivable. Exposure to credit risk with respect to its accounts and notes receivables is minimized by Armtec's large customer base, which covers a diverse range of business sectors primarily in Canada. The Fund follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Fund maintains provisions for potential credit losses, and any such losses to date have been within management's expectations. The Fund cannot ensure that its customers will not experience financial difficulties in the future and Armtec may not collect all of its accounts receivable or notes receivable.

Relationships with Suppliers

The Fund currently relies on a limited number of suppliers for its raw materials. The Fund has maintained long-term relationships with key suppliers of raw materials, which have resulted in a competitive advantage in procurement and reliability of supply.

There is no assurance that the Fund's raw material suppliers will be able to continue supplying Armtec with the same quantity of materials, or on the same terms, under existing arrangements. There can be no assurance that, in the event the Fund is required to change from current suppliers (whether as a result of a significant deterioration in the suppliers' financial position or otherwise), alternative sources of supply will be available on terms comparable to existing arrangements.

Lack of Long-Term Agreements

Historically, the Fund has typically not entered into written long-term agreements with any customers or suppliers. As a result, customers or suppliers may, with little or no notice or penalty, terminate their relationship with the Fund at any time. In addition, even if customers or suppliers should decide to continue their relationship with the Fund, there can be no guarantee that customers will purchase or suppliers will supply the same amount of product as in the past, or that the purchase or supply, as the case may be, will be on similar terms.

Expiration of Rights under Licence and Distribution Arrangements

A portion of the Fund's revenue is generated from the sale of products which are subject to licence arrangements or are distributed by the Fund pursuant to distribution arrangements. The Fund will need to take steps to either negotiate the renewals or extensions of its current licence and distribution arrangements when they expire or to otherwise compensate for the lost revenue from the sale of such products.

There can be no assurance that the Fund will be able to successfully negotiate extensions or renewals of the relevant licence or distribution arrangements or develop alternate sources of revenue under any licence or distribution arrangements, which may be terminated or not renewed.

Furthermore, the Fund's licence arrangement with Isola AS concerning its Platon (foundation wrap) product contains a non-competition covenant applicable to the Fund pursuant to which the Fund has agreed to not manufacture or sell any products that are competitive with Platon for a period of two years following termination of such arrangement. Assuming that the non-competition covenant is enforced against the Fund, the Fund will be prohibited from being involved in a market in which it currently competes for a two-year period if the licence arrangement with Isola AS is terminated.

Availability and Price Volatility of Raw Materials

Raw materials supply factors such as allocations, economic cyclicality, seasonality, pricing, quality, timeliness of delivery, transportation and warehousing costs may affect the raw materials sourcing decisions made by the Fund. In the event of significant unanticipated increase in demand for the Fund's products and the supply of raw materials, the Fund may in the future be unable to manufacture certain products in a quantity sufficient to meet customer demand in any particular period.

Various raw materials are used in the products manufactured by Armtec. In particular, the primary raw materials used in the Armtec division's plastic and steel products are various types and grades of resins and steel, respectively. The Con-Force division uses cement, aggregates rebar and steel strand. These raw materials are sourced and traded throughout the world and are subject to pricing volatility. Consistent with past and current practices within the industry, Armtec manages its exposure to raw materials price volatility by considering this impact in its pricing strategy. However, there can be no assurance that the industry dynamics will allow the Fund to continue to reduce its exposure by passing on raw materials price increases to its customers.

Product Liability

Difficulties in product design, performance and reliability could result in lost revenue, delays in customer acceptance of the Fund's products or lawsuits and could be detrimental to the Fund's market reputation. The Fund's products and the products incorporated from third parties may not be defect-free. Undetected defects or performance problems may be discovered in the future. The Fund may not be able to successfully complete the development of planned or future products in a timely manner or to adequately address product defects, which could harm the Fund's business and prospects. In addition, product defects may expose the Fund to product liability claims, for which it may not have sufficient product liability insurance.

Intellectual Property

The Fund uses various manufacturing processes to produce drainage products, precast and pre-stressed concrete products as well as engineered solutions for infrastructure applications. There can be no assurances that such processes and products do not violate any third-party intellectual property rights. If they do, the Fund may be liable for potentially substantial damages relating to a patent or other intellectual property infringement action against it or may be prohibited from using the affected processes and producing the affected products unless it obtains an appropriate licence from the relevant party. The Fund cannot be assured of obtaining any such licence on commercially favourable terms, or at all.

The Fund relies on a combination of patent and trademark laws, trade secrets, confidentiality procedures, licences and agreements to protect its proprietary rights and certain proprietary rights licensed to the Fund under various distribution arrangements (collectively, the "Proprietary Technologies"). Despite efforts to protect the Proprietary Technologies by the Fund or the licensor of any of the Proprietary Technologies (the "Licensor"), unauthorized parties may attempt to copy aspects of the Fund's products or obtain information that the Fund regards as proprietary. Policing unauthorized use of the Proprietary Technologies may be difficult, time-consuming and costly. There can be no assurance that the Fund's or the Licensor's means of protecting the Proprietary Technologies will be adequate. Furthermore, the patents on the Proprietary Technologies may be challenged, invalidated or circumvented and may not provide proprietary protection or a competitive advantage to the Fund.

Reliance on Key Personnel

The Fund's operations are dependent on the abilities, experience and efforts of its senior management and key sales and support personnel. While the Fund has entered into employment agreements and/or confidentiality and non-compete agreements with some of its key employees, should any of its key employees be unable or unwilling to continue his or her employment with the Fund, the financial performance of the Fund could be significantly adversely affected until a replacement is found. The Fund may be unable to attract, assimilate, retrain or train other necessary qualified employees, which may restrict growth potential and disrupt operations.

Labour Markets

The success of the Fund is dependent on retaining qualified experienced people to operate its manufacturing facilities. The construction industry is faced with an increasing shortage of skilled workers in some areas and disciplines. The resulting competition for labour in Western Canada in particular and within the industry as a whole may limit the ability of Armtec to take advantage of opportunities otherwise available or alternatively may affect the profitability of such endeavours going forward.

Environmental

The Fund is subject to a wide range of federal, provincial and municipal environmental laws and regulations that govern the discharge of materials into the environment and the investigation and clean up of environmental contamination. The Fund believes that the conduct of its operations is currently in material compliance with existing environmental laws and regulations. In conjunction with independent engineering firms, the Fund has examined its manufacturing facilities to identify potential clean-up obligations and other environmental issues. To date, the costs incurred in complying with environmental laws and regulations, including the cost of clean up and remediation, have not had an adverse effect on the Fund's financial condition.

Management believes that the Fund has appropriately provided for expected environmental obligations that it may incur. However, estimating environmental liabilities at any site is complex and is dependent on the nature and extent of the information that is available about the site, the complexity and nature of any contamination and other matters. The Fund cannot predict with certainty the amount of future costs that may be incurred to satisfy its environmental obligations. Changes in laws and regulations are ongoing and may make environmental compliance, such as emission control and clean-up obligations, increasingly expensive.

Collective Bargaining

On average during the year, 479 employees at nine manufacturing plants within Armtec are subject to collective bargaining agreements. While management believes that the Fund's relations with its employees are excellent, there are no assurances that a strike or other disruption by its unionized employees will not occur and adversely affect the results of operations of the Fund.

Currency Fluctuations

The Fund is exposed to currency risk primarily of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. There is a risk to the Fund's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Fund's financial results are reported in Canadian dollars. The Fund's exposure to foreign currency risk is primarily related to fluctuations in the value of the Canadian

dollar relative to that of the United States dollar as a portion of the Fund's transactions occur with customers in United States dollars.

Interest Rates

The Fund's credit facilities are subject to floating interest rates and, therefore, are subject to fluctuations in interest rates. Interest rate fluctuations are beyond the Fund's control and there can be no assurance that interest rate fluctuations will not have a significant adverse effect on the Fund's financial performance. The Fund is subject to interest rate risk on the outstanding balance of the credit facilities.

Uninsured and Underinsured Losses

The Fund maintains insurance policies with insurers in amounts and with coverages and deductibles that management of the Fund believes are reasonable and prudent. The Fund maintains comprehensive property, casualty and liability insurance with coverages and amounts that it believes are sufficient to repair or replace any assets physically damaged or destroyed, resultant business interruption losses or extra expenses sustained, and to cover claims with respect to bodily injury or property damage arising from assets or operations. However, not all risks are covered by insurance and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Fund.

Operating Hazards

The Fund's revenue is dependent on the continued operation of its facilities. The operation of facilities involves risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. The operations of the Fund are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials, including industrial chemicals. These hazards can cause fatal injury, severe damage to and destruction of property and equipment and environmental damage. There can be no assurance that as a result of past or future operations, there will not be claims of injury by employees or members of the public due to exposure, or alleged exposure, to these materials. There can be no assurance as to the actual amount of these liabilities or the timing of them.

Risk of Future Legal Proceedings

The Fund may be threatened from time to time with, or may be named as a defendant in, various legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damages claims in the ordinary course of conducting its business. A significant judgment against the Fund, or the imposition of a significant fine or penalty, as a result of a finding that the Fund has failed to comply with laws or regulations could have a material adverse effect on the Fund.

Securities Laws Compliance and Corporate Governance Standards

The securities laws in Canada may be subject to change at any time. The impact on the Fund of any changes cannot be predicted.

Geographical Risk

With the recent acquisition of Con-Force, the Fund has a significant portion of its business located in Western Canada. Explosive growth in the oil and gas and natural resources sectors and in public works projects in anticipation of the 2010 Winter Olympics have resulted in significant economic growth in the areas that Armtec's manufacturing plants service. It is likely that at some point in the future economic activity will normalize and due to the nature of Fund's products and the associated freight costs, it is unlikely that a regional slowdown in activity could be offset by exporting product outside the traditional service areas.

Seasonality and Adverse Weather

Construction projects are susceptible to delays as a result of extended periods of poor weather, which can have an adverse effect on profitability arising from either late completion penalties imposed by certain contracts or from the incremental costs arising from loss of productivity, compressed schedules, or overtime work utilized to offset the time lost due to adverse weather.

Geopolitical

Changes in the domestic and international political environment could affect the Fund's strategic and operational capabilities. The Fund's ability to source products and services could be compromised. These risks can arise from domestic and foreign trade agreements, policies, laws and regulations and other political events and could result in significant material losses or damage to our reputation.

The Fund mitigates this risk by monitoring the geopolitical environment of the countries in which it conducts business. When the Fund contemplates a new vendor or customer relationship, a risk assessment is undertaken to evaluate the vendor or customer's fit as well as the particular country's political environment.

The Fund also monitors political changes that could affect the ability to remain competitive.

Risks Related to the Structure of the Fund

Please see the separately released Annual Information Form under "Risks Related to the Structure of the Fund".

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 March 5, 2008.

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 cannot 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.