



CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

Armtec Infrastructure Income Fund Management's Report to Unitholders

The accompanying consolidated financial statements of Armtec Infrastructure Income Fund (the "Fund" or "Armtec") and Management's Discussion and Analysis for the year ended December 31, 2009 have been prepared by management and approved by the Board of Trustees of the Fund. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in Canada and, where necessary, reflect management's estimates and judgments.

The management of the Fund and of its subsidiaries, in furtherance of the integrity and objectivity of the data in the consolidated financial statements, has developed and maintains internal control systems. Management believes that these internal accounting control systems provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the consolidated financial statements and that assets are properly accounted for and safeguarded, and that the preparation of other financial information is consistent with the consolidated financial statements.

The Board of Trustees carries out its responsibility for the financial statements primarily through its Audit Committee consisting of independent trustees who are neither employees nor officers of the Fund. The Audit Committee meets with management and with external auditors to satisfy themselves that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the Auditors' Report. The Audit Committee formulates the appropriate recommendations to the trustees regarding all financial matters. The external auditors have direct access to the Audit Committee, with and without management present.

The consolidated financial statements have been independently audited by PricewaterhouseCoopers LLP on behalf of the unitholders in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Fund.

/s/ Charles M. Phillips
Charles M. Phillips, CA
President and Chief Executive Officer
Armtec Infrastructure Income Fund

/s/ James R. Newell
James R. Newell, CA
Chief Financial Officer
Armtec Infrastructure Income Fund

Auditors' Report

To the Unitholders of
Armtec Infrastructure Income Fund

We have audited the consolidated balance sheets of Armtec Infrastructure Income Fund (the "Fund") as at December 31, 2009 and 2008 and the consolidated statements of earnings, comprehensive income, changes in unitholders' equity and cash flows for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years ended December 31, 2009 and 2008 in accordance with Canadian generally accepted accounting principles.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Waterloo, Canada
March 18, 2010

Armtec Infrastructure Income Fund

CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars)

As at December 31	2009	2008
Assets		
Current assets		
Cash	\$ 13,492	\$ 8,883
Accounts receivable (Note 4)	104,830	94,400
Inventories (Note 5)	37,239	43,132
Prepaid expenses and other assets	2,798	2,293
Future income tax assets (Note 11)	1,314	305
	159,673	149,013
Property, plant and equipment (Note 6)	188,269	143,636
Intangible assets (Note 7)	143,722	130,239
Goodwill (Note 8)	160,094	113,709
	\$ 651,758	\$ 536,597
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 69,108	\$ 46,790
Distributions payable	4,650	3,942
Deferred contract revenue	6,187	4,581
Current portion of long-term debt (Note 9)	2,312	51,538
Future income tax liabilities (Note 11)	969	2,601
	83,226	109,452
Deferred contract revenue	-	3,500
Long-term debt (Note 9)	225,730	146,700
Accrued benefit liability (Note 10)	16,234	6,833
Future income tax liabilities (Note 11)	49,789	46,654
	374,979	313,139
Unitholders' equity	276,779	223,458
	\$ 651,758	\$ 536,597

Signed on behalf of the Trustees:

/s/ Robert J. Wright
Robert J. Wright
Chairman

/s/ Brian W. Jamieson
Brian W. Jamieson
Trustee

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

Armtec Infrastructure Income Fund

CONSOLIDATED STATEMENTS OF EARNINGS

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

For the years ended December 31	2009	2008
Revenue	\$ 463,829	\$ 392,063
Cost of sales	311,836	269,980
Amortization of property, plant and equipment	13,128	8,345
Gross margin	138,865	113,738
Distribution and warehousing	21,037	18,667
Selling, general and administrative	51,160	42,243
Reorganization expenses (Note 21)	6,496	-
Amortization of intangible assets	11,762	12,206
Earnings from operations	48,410	40,622
Interest	12,118	8,692
Interest related to debt transaction costs	1,439	505
Interest and financing expenses	13,557	9,197
Earnings before taxes	34,853	31,425
Recovery of future income taxes (Note 11)	8,635	1,879
Net earnings for the year	\$ 43,488	\$ 33,304
Basic and diluted earnings per unit (Note 15)	\$ 2.20	\$ 2.07
Basic weighted average number of units outstanding (Note 15)	19,770,125	16,093,543
Diluted weighted average number of units outstanding (Note 15)	19,807,497	16,093,543

Armtec Infrastructure Income Fund

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars)

For the years ended December 31	2009	2008
Net earnings for the year	\$ 43,488	\$ 33,304
Other comprehensive earnings, net of taxes:		
Change in unrealized earnings of derivative financial instruments designated as cash flow hedges (net of income taxes of \$nil)	1,343	(3,760)
Other	(15)	(3)
	1,328	(3,763)
Comprehensive earnings for the year	\$ 44,816	\$ 29,541

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

Armtec Infrastructure Income Fund

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

(in thousands of Canadian dollars)

	Unitholders' Capital	Accumulated Other Comprehensive Income	Cumulative Earnings	Cumulative Distributions	Total
Balance – December 31, 2007	\$ 180,139	\$ (23)	\$ 57,109	\$ (58,120)	\$ 179,105
Units issuance (Note 12)	37,500	-	-	-	37,500
Exchangeable partnership units issued for consideration (Note 12)	12,500	-	-	-	12,500
Issuance costs (Note 12)	(1,744)	-	-	-	(1,744)
Earnings for the year	-	-	33,304	-	33,304
Other comprehensive income for the year (Note 14)	-	(3,763)	-	-	(3,763)
Distributions for the year (Note 13)	-	-	-	(33,444)	(33,444)
Balance – December 31, 2008	\$ 228,395	\$ (3,786)	\$ 90,413	\$ (91,564)	\$ 223,458
Units issuance (Note 12)	55,075	-	-	-	55,075
Warrant issuance (Note 12)	1,305	-	-	-	1,305
Issuance costs (Note 12)	(3,166)	-	-	-	(3,166)
Cancellation of exchangeable partnership units (Note 12)	(582)	-	-	-	(582)
Earnings for the year	-	-	43,488	-	43,488
Other comprehensive income for the year (Note 14)	-	1,328	-	-	1,328
Distributions for the year (Note 13)	-	-	-	(44,127)	(44,127)
Balance – December 31, 2009	\$ 281,027	\$ (2,458)	\$ 133,901	\$ (135,691)	\$ 276,779

Total cumulative earnings, cumulative distributions and accumulated other comprehensive income as at December 31, 2009 was \$(4,248) and as at December 31, 2008 was \$(4,937).

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

Armtec Infrastructure Income Fund

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)

For the years ended December 31	2009	2008
Cash provided by (used in):		
Operating activities		
Net earnings for the year	\$ 43,488	\$ 33,304
Items not affecting cash:		
Amortization of property, plant and equipment	13,128	8,345
Amortization of intangible assets	11,762	12,206
Interest related to debt transaction costs	1,439	505
Recovery of future income taxes	(8,635)	(1,879)
Other	81	(180)
	61,263	52,301
Net decrease (increase) in non-cash working capital (Note 16)	29,324	(1,235)
Cash provided by operating activities	90,587	51,066
Investing activities		
Purchase of property, plant and equipment	(13,140)	(9,999)
Purchase of intangible assets	(1,995)	(1,268)
Proceeds from sale of property, plant and equipment	674	660
Business acquisitions (Note 20)	(109,133)	(168,096)
Cash used in investing activities	(123,594)	(178,703)
Financing activities		
Net proceeds from offering of Fund units (Note 12)	51,327	35,756
Net proceeds from long-term debt (Note 9)	82,135	124,241
Repayment of Bridge facility (Note 9)	(50,000)	-
Payment of debt transaction costs	(2,427)	(1,929)
Distributions to unitholders	(43,419)	(34,176)
Cash provided by financing activities	37,616	123,892
Net increase (decrease) in cash	4,609	(3,745)
Cash – Beginning of year	8,883	12,628
Cash – End of year	\$ 13,492	\$ 8,883
Supplemental cash flow information:		
Interest paid	\$ 11,863	\$ 7,790
Non-cash transactions:		
Acquisition – Issuance of note payable	\$ -	\$ 5,000
Acquisition – Issuance of warrants	\$ 1,305	\$ -
Acquisition – Issuance of exchangeable partnership units	\$ -	\$ 12,500
Acquisition – Receivable over the next year (Note 20)	\$ -	\$ 707
Acquisition – Payable over the next year (Note 20)	\$ 15,528	\$ 3,282

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

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Note 1. Organization and Nature of Business

Armtec Infrastructure Income 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. In these consolidated financial statements, the term "the Fund" means 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., Armtec Limited Partnership, and Durisol Consulting Services Inc.

The Fund is a leading manufacturer and marketer of a comprehensive range of infrastructure products and engineered construction solutions for customers in a diverse cross-section of industries that are located in every region of Canada, as well as in selected markets globally. These markets include Canada's national and regional public infrastructure markets and private sector markets in residential construction, commercial building, agricultural drainage and natural resources. Operating through its network of regional offices and production facilities across the country, the Fund's broad range of engineered solutions include products for drainage, bridge applications, soil retention, rehabilitation and water management systems including corrugated high-density polyethylene, corrugated steel and concrete pipe; an array of architectural and structural precast and pre-stressed concrete products from steps, paving stones, slabs and wall panels to highly engineered structural components designed and installed for projects such as bridges, sports venues and parking garages; and, a full suite of noise barriers, acoustic enclosure and wall systems along with associated retaining and traffic barrier systems.

Note 2. Summary of Significant Accounting Policies

Basis of consolidation

The Fund prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The consolidated financial statements reflect the results of operations of the Fund, its wholly owned subsidiaries and the Fund's portion of its joint venture for the years ended December 31, 2009 and December 31, 2008. All significant intercompany transactions and balances have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, significant estimates include those related to revenue recognition, the valuation of inventory, the valuation of goodwill and other intangible assets, accrued benefit liabilities, and the realization of future income taxes. Actual results could differ from those estimates.

Revenue recognition

Revenue from construction contracts is recognized using the percentage-of-completion method. The percentage of completion is determined by relating the actual units of work performed to the estimated total units of the respective contract. If the current estimated costs to complete indicate a loss on a contract, the loss is recognized immediately. Revisions in costs, and earnings or loss estimates during the course of the contract are reflected during the accounting period in which the facts that cause the revision become known. Income from claims is recorded in the year in which such claims are resolved. Unbilled revenue represents the excess of revenue recognized under the percentage-of-completion method over billings rendered. Deferred contract revenue represents billings in excess of revenue recognized.

Revenue for all other products is recognized upon shipment when title transfers, all significant obligations have been satisfied and collection is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash balances with major financial institutions.

Inventories

Inventories are stated 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.

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated amortization. An impairment loss is recognized when the carrying amount of an asset is no longer recoverable and exceeds fair value. Amortization is charged to earnings using the straight-line method based on estimated useful lives as follows:

Buildings	30 years
Machinery and equipment	12 years
Machinery and equipment under capital lease	12 years
Leasehold improvements	Lesser of useful life or the term of the lease
Furniture and fixtures	5 – 10 years

Goodwill

Goodwill is the excess of the purchase price of acquired businesses over the fair value of net tangible and identifiable intangible assets acquired. Goodwill is not amortized, but is assessed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is recognized when the fair value of the reporting unit is less than the carrying value of the reporting unit's net assets. Any impairment in the value of goodwill is recorded as a separate charge against earnings and a reduction in the carrying value of goodwill.

Intangible assets

Intangible assets are assets acquired that lack physical substance and meet the specified criteria for recognition apart from goodwill. These assets are amortized over the estimated remaining useful lives on a straight-line basis. Amortization is charged to earnings based on the estimated useful lives of the underlying assets as follows:

Trademarks and tradenames	15 - 25 years
Customer lists	10 - 15 years
Enterprise resource planning ("ERP") systems	7 - 8 years
Customer contracts	As the contract is completed to a maximum of 7 years
Non-compete agreements	The term of the underlying agreement
Licences	The lesser of the term of the agreement or 20 years

Intangible assets subject to amortization are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment is recorded as a separate charge against earnings and a reduction of the carrying value of the intangible asset to fair value.

Employee future benefits

Certain employees are entitled to post-employment benefits such as medical, dental, life insurance and pension benefits. The Fund maintains three defined benefit pension plans for its employees: Salary Plan, Supplemental Employee Retirement Plans ("SERP/SNERP") and the Canadian Autoworker's Union ("CAW") Plan. Pension plan assets, liabilities and changes in net assets are reported in the respective financial statements of these plans. The assets of the funded pension plans are held by an independent custodian. The Fund also maintains four other extended health care plans to retirees and their eligible dependents on a cost-sharing basis: Post Retirement Welfare Plan, Post Retirement Health Plan, Long-term Employee Benefit and Short-term Employee Benefit Plans.

The benefit obligations and service costs of the pension and the Post Retirement Welfare Plan are determined using the projected unit credit method. For the Post Retirement Health and Long-term Employee Benefit Plans, the benefit obligation is equal to the present value of the health and dental care, as well as life insurance in certain cases for employees on long-term disability or workers compensation. For the Short-term Employee Benefit Plan, the projected unit credit method was used to determine the benefit obligation and service cost since these benefits accrue with service.

For the purpose of calculating the expected return of plan assets, the assets are valued at fair value. The pension plan's experience gains and losses, which include changes in actuarial basis and costs of plan amendments, are amortized in equal amounts over a period equal to the expected average remaining service lifetime to expected retirement. The Post Retirement Welfare Plan's experience gains and losses, excluding the cost of plan amendments, are amortized in equal amounts over period equal to the expected average remaining service lifetime

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to expected retirement. For the Post Retirement Welfare Plan, costs of plan amendments are amortized over a period equal to the expected average remaining service lifetime to full eligibility for benefits. The 10% corridor that limits the recognition of experience gains and losses is used for all plans.

Income taxes

The Fund is a mutual fund trust for income tax purposes, and therefore is not subject to tax on income distributed to unitholders. Taxes payable on income of the Fund's distributions to unitholders are the responsibility of individual unitholders.

The Fund's subsidiaries apply the liability method of accounting for income tax purposes. Future income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Future income taxes are measured using substantively enacted rates and laws that are expected to be in effect when the temporary differences are estimated to reverse. The effect of any changes in tax rates on the future income tax balance is recognized in income in the period of change. If, on the basis of available evidence, management does not consider it more likely than not that all or a portion of future tax assets will be realized, the future tax asset is reduced by a valuation allowance.

Translation of foreign currencies

Income and expenses in foreign currencies are translated into Canadian dollars at rates approximating the average rates of exchange during the period. Monetary assets and liabilities denominated in foreign currencies are translated at the period-end rate. Exchange gains and losses arising from translation are included in net earnings for the period.

Financial instruments and hedging relationships

The Fund has classified its cash and cash equivalents as held-for-trading; accounts receivable has been classified as loans and receivables; and accounts payable, distributions 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 Fund does not use any derivative financial instrument for speculative purposes.

Note 3. Changes in Accounting Policies

a) Goodwill and Intangible Assets

Effective for the first quarter of 2009, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Section 3064, "Goodwill and Intangible Assets", which establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This standard provides the Canadian equivalent to International Accounting Standard 38, "Intangible Assets". The adoption of CICA Section 3064 had no effect on the Fund's consolidated financial condition on the date of adoption.

b) Financial Instruments – Disclosures

Effective for the fourth quarter of 2009, the Fund adopted amendments to CICA Section 3862, "Financial Instruments – Disclosures", which include additional disclosure requirements for fair value measurement of financial instruments and liquidity risk. These amendments require classification of financial instruments, including marketable securities, if applicable, and derivative financial instruments, measured at fair value in the consolidated balance sheets using a three level hierarchy that reflects the extent to which the inputs used in making the fair value measurements were obtained from independent sources. Other than disclosure, the adoption of CICA Section 3862 had no effect on the Fund's consolidated financial condition on the date of adoption. As a result of implementing these amendments, the Fund included additional disclosure in Note 18 pertaining to its derivative financial instruments.

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Note 4. Accounts Receivable

As at December 31	2009	2008
Trade receivables	\$ 75,929	\$ 79,359
Unbilled revenue	22,300	12,596
Holdback receivables	6,601	2,445
	\$ 104,830	\$ 94,400

Note 5. Inventories

As at December 31	2009	2008
Raw materials	\$ 8,466	\$ 11,964
Finished goods	28,773	31,168
	\$ 37,239	\$ 43,132

The amount of inventory recognized as an expense through cost of sales during the year ended December 31, 2009 was \$224,864 (2008 – \$182,342).

Note 6. Property, Plant and Equipment

As at December 31, 2009	Cost	Accumulated Amortization	Net
Land	\$ 48,951	\$ -	\$ 48,951
Buildings	39,653	3,629	36,024
Machinery and equipment	118,599	26,263	92,336
Machinery and equipment under capital lease	2,947	685	2,262
Leasehold improvements	5,921	1,084	4,837
Furniture and fixtures	4,392	1,763	2,629
Construction-in-progress	1,230	-	1,230
	\$ 221,693	\$ 33,424	\$ 188,269

As at December 31, 2008	Cost	Accumulated Amortization	Net
Land	\$ 31,378	\$ -	\$ 31,378
Buildings	23,164	2,334	20,830
Machinery and equipment	94,237	16,350	77,887
Machinery and equipment under capital lease	2,229	314	1,915
Leasehold improvements	3,601	647	2,954
Furniture and fixtures	3,109	996	2,113
Construction-in-progress	6,559	-	6,559
	\$ 164,277	\$ 20,641	\$ 143,636

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

Note 7. Intangible Assets

As at December 31	2009	2008
Balance – Beginning of year	\$ 130,239	\$ 92,422
Intangibles acquired (Note 20)	23,250	48,755
ERP system intangibles purchased	1,995	1,268
Amortization	(11,762)	(12,206)
Balance – End of year	\$ 143,722	\$ 130,239

As at December 31, 2009	Cost	Accumulated Amortization	Net
Trademarks and tradenames	\$ 50,940	\$ 6,745	\$ 44,195
Customer contracts	8,365	7,917	448
Customer lists	78,782	8,710	70,072
ERP systems	4,017	1,655	2,362
Non-compete agreements	11,270	3,648	7,622
Licences	22,901	5,692	17,209
Intangibles-in-progress	1,814	-	1,814
	\$ 178,089	\$ 34,367	\$ 143,722

As at December 31, 2008	Cost	Accumulated Amortization	Net
Trademarks and tradenames	\$ 47,840	\$ 4,760	\$ 43,080
Customer contracts	7,865	7,178	687
Customer lists	61,582	3,856	57,726
ERP systems	3,836	489	3,347
Non-compete agreements	8,820	1,788	7,032
Licences	22,901	4,534	18,367
	\$ 152,844	\$ 22,605	\$ 130,239

Note 8. Goodwill

As at December 31	2009	2008
Balance – Beginning of year	\$ 113,709	\$ 71,028
Goodwill acquired (Note 20)	46,385	42,681
Balance – End of year	\$ 160,094	\$ 113,709

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Note 9. Long-Term Debt

As at December 31	2009	2008
Revolving facility (b)	\$ -	\$ -
Term facility (b)	183,000	140,000
Bridge facility (b)	40,000	50,000
Promissory notes (c)	4,346	4,667
Capital leases payable at rates varying from nil% to 7.2% payable in blended monthly instalments of \$53 (a)	1,482	2,026
	228,828	196,693
Interest rate swap (Note 18)	2,417	3,760
Debt transaction costs	(3,203)	(2,215)
Current portion of long-term debt	(2,312)	(51,538)
	\$ 225,730	\$ 146,700

For the year ended December 31, 2009 interest expense on long-term obligations initially incurred for a term of more than one year totalled \$10,504 (2008 – \$6,637). Principal payments required to meet long-term obligations in the next five years are as follows:

For the years ended December 31	
2010	\$ 2,312
2011	41,655
2012	184,194
2013	667
	\$ 228,828

a) Capital leases

Specific machinery is pledged as security for capital leases. The leases mature over various dates from 2010 to 2012.

Payments under capital leases including interest are as follows:

For the years ended December 31	
2010	\$ 704
2011	682
2012	198
Total minimum payments	1,584
Less: amount representing interest	102
Obligations under capital lease	\$ 1,482

b) Revolving, Term and Bridge Credit Facilities

In April 2009, the Fund repaid the \$50.0 million Bridge facility. In May 2009, the Fund completed amendments to its Credit Facilities. The principal amendments to the Credit Facilities included increasing the non-revolving Term facility from \$140.0 million to \$183.0 million and utilizing a new non-revolving Bridge facility of \$40.0 million. The available Revolving facility remains unchanged at \$50.0 million. The revised Credit Facilities were used to assist in the Fund's acquisitions during 2009 (Note 20). Maturity dates for both the Term and Revolving Credit Facilities remained unchanged in October 2012 whereas the Bridge facility matures in March 2011. The Fund's financial covenant ratios are primarily linked to trailing operating earnings before interest, taxes, depreciation and amortization adjusted for certain inclusions, such as the pro-forma earnings related to acquisitions, and exclusions ("Adjusted Earnings"). Included in the

Armtec Infrastructure Income Fund

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

amendments to the Fund's Credit Facilities was an increase in the maximum covenant ratio of debt to Adjusted Earnings to 3.25:1 on a rolling four quarter basis. The Fund's financial covenant ratio of Adjusted Earnings over interest expensed remains unchanged at 4:1.

In 2008, the Fund completed two amendments to its Credit Facilities. The principal amendments to the Credit Facilities included increasing the non-revolving Term facility from \$65.0 to \$140.0 million and the available Revolving facility increasing from \$40.0 million to \$50.0 million. Proceeds were used to finance the acquisitions during 2008 (Note 20). A non-revolving Bridge facility of \$50.0 million was used to assist in the Fund's acquisition of the shares in 1219316 Alberta Ltd. (Con-Force Concrete Products – "CFCP"), a subsidiary of Burnco Rock Products Limited (Note 20). Both the Term and Revolving Credit Facilities maturity dates remained unchanged in October 2012 whereas the Bridge facility matured in June 2009.

Each Credit Facilities bears interest at rates that depend on certain financial ratios of the Fund and vary in accordance with borrowing rates in Canada. The Credit Facilities are secured by a first charge on the assets of the Fund and its subsidiaries, except for specified permitted encumbrances. The provisions under these Credit Facilities provide for restrictions on the operations and activities of the Fund.

The average effective interest rate after related fees during the year ended December 31, 2009 was 5.6% (2008 – 5.9%). This accounts for the effects on the Term, Bridge and Revolving facilities drawn, debt transaction costs and the interest rate swap but does not include any unrealized gains or losses in the period resulting from the revaluation of the interest rate swap, if applicable.

c) Promissory notes

In conjunction with the Fund's acquisition of the outstanding shares of Boucher Precast Concrete Ltd. ("Boucher") in 2008, the Fund issued a \$5,000 promissory note payable over a five-year period, bearing interest annually at 8.0%.

The Fund has a \$1,483 promissory note, due May 2010, bearing interest annually at 3.0%.

Note 10. Accrued Benefit Liability

The Fund has a number of funded and unfunded defined benefit and defined contribution programs that provide pension and other post-employment benefits to its employees and qualifying retirees.

a) Defined benefit plans

Description of defined benefit plans

The Fund's Salaried and SERP/SNERP Plans are final-pay defined benefit pension plans and the CAW Plan is a flat-dollar benefit pension plan. The SERP/SNERP, Post Retirement Welfare Plan, Post Retirement Health Plan, Long-term Employee Benefit and Short-term Employee Benefit Plans are not pre-funded benefit plans. The Fund's Post Retirement Health Plan was grandfathered for retirees with combined years of age and service of 75 who were employed as at January 1, 2003.

The Fund's Salaried and SERP/SNERP Plans will be wound up with an effective date of December 31, 2009.

Actuarial valuations

The Fund has measured its plan assets, if applicable, and accrued benefit obligations at December 31, 2009. The most recent actuarial valuations and effective date for the next required funding valuation for the Fund's defined benefit plans are December 31, 2006 and December 31, 2009, respectively, for the Salaried and SERP/SNERP Plans, December 31, 2007 and December 31, 2010, respectively, for the CAW, Long-term Employee Benefit and Short-term Employee Benefit Plans, and September 30, 2009 and September 30, 2012, respectively, for the Post Retirement Health Plan.

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

Accrued benefit obligations, plan assets, funded status and benefit cost						
For the years ended December 31						
	2009			2008		
	Pension Plans	Other Benefit Plans	Total	Pension Plans	Other Benefit Plans	Total
Change in post-employment benefit obligation:						
Benefit obligation - beginning of year	\$ -	\$ 4,612	\$ 4,612	\$ -	\$ 6,025	\$ 6,025
Acquisition of defined benefit plans (Note 20)	18,436	3,329	21,765	-	-	-
Service cost – employer	371	84	455	-	20	20
Interest cost	413	414	827	-	297	297
Plan participants' contributions	118	-	118	-	-	-
Actuarial (gain) loss	(579)	1,020	441	-	(1,554)	(1,554)
Benefits paid	(238)	(232)	(470)	-	(176)	(176)
Benefit obligation – end of year	\$ 18,521	\$ 9,227	\$ 27,748	\$ -	\$ 4,612	\$ 4,612
Change in plan assets:						
Fair value of plan assets – beginning of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition of defined benefit plans (Note 20)	12,355	-	12,355	-	-	-
Actual return on plan assets	960	-	960	-	-	-
Employer contribution	478	232	710	-	176	176
Plan participants' contributions	118	-	118	-	-	-
Benefits paid	(238)	(232)	(470)	-	(176)	(176)
Fair value of plan assets – end of year	\$ 13,673	\$ -	\$ 13,673	\$ -	\$ -	\$ -
Reconciliation of funded status:						
Funded status	\$ (4,848)	\$ (9,227)	\$ (14,075)	\$ -	\$ (4,612)	\$ (4,612)
Unamortized net actuarial gain	(1,160)	(999)	(2,159)	-	(2,221)	(2,221)
Accrued benefit liability	\$ (6,008)	\$ (10,226)	\$ (16,234)	\$ -	\$ (6,833)	\$ (6,833)
Net periodic benefit cost:						
Service cost – employer	\$ 371	\$ 84	\$ 455	\$ -	\$ 20	\$ 20
Interest cost	413	414	827	-	297	297
Actual return on plan assets	(959)	-	(959)	-	-	-
Actuarial gain	(579)	(222)	(801)	-	-	-
Amortization of net actuarial gain	-	(198)	(198)	-	(9)	(9)
Other cost	-	(5)	(5)	-	-	-
Difference between expected return and actual return on plan assets	581	-	581	-	-	-
Difference between actuarial (gains) losses recognized and actual actuarial (gains) losses	579	222	801	-	-	-
Net periodic benefit cost	\$ 406	\$ 295	\$ 701	\$ -	\$ 308	\$ 308

Armtec Infrastructure Income Fund

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Asset allocation

The following are the allocations of the funded pension plan's pooled assets obtained from the Fund's acquisition of the outstanding shares of Pre-Con Inc. ("Pre-Con") (Note 20):

For the year ended December 31, 2009

	Salaried Plan	CAW Plan
Equity securities	60.0%	35.0%
Debt securities and cash	40.0%	65.0%
	100.0%	100.0%

Significant assumptions

The following are significant assumptions for the Fund's defined benefit plans obtained from the acquisition of Pre-Con (Note 20):

For the year ended December 31, 2009

Discount rate assumptions:		
Salaried and SERP/SNERP Plans		4.50%
Long-term Employee Benefit Plan, Short-term Employee Benefit Plan, Post Retirement Welfare Plan		6.00%
Expected rate of return on plan assets:		
Salaried Plan (Note 20)		3.30%
CAW Plan		5.75%
Rate of increase in future compensation		3.00%
Assumptions for the health care cost trend rates of the Post Retirement Welfare Plan:		
Hospital inflation		5.00%
Prescription drugs inflation ¹		9.50%
Other medical and dental inflation		5.00%

¹Prescription drugs inflation is assumed to be 9.0% in 2010, declining 0.5% per year to 5.0% for 2018 and thereafter.

The following are significant assumptions for the Fund's Post Retirement Health Plan:

For the year ended December 31	2009	2008
Discount rate assumption for the Post Retirement Health Plan	5.25%	7.00%
Assumptions for the health care cost trend rates of the Post Retirement Health Plan:		
Medical inflation ²	8.50%	7.50%
Dental inflation	5.00%	5.00%

²Medical inflation is assumed to be 8.0% in 2010, declining 0.5% per year to 5.0% for 2016 and thereafter.

Armtec Infrastructure Income Fund

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Sensitivity analysis

The following is the effect of a change in the trend rates on the benefit obligation and benefit cost, including service and interest costs, on the Fund's Post Retirement Welfare Plan obtained from the acquisition of Pre-Con (Note 20):

For the year ended December 31, 2009	
Effect of change in health care cost trend rate:	
1% Increase	
Benefit obligation at December 31, 2009	\$ 611
Benefit cost for six-month period ending December 31, 2009	32
1% Decrease	
Benefit obligation at December 31, 2009	\$ (510)
Benefit cost for six-month period ending December 31, 2009	(26)

The following is the effect of a change in the trend rates on the benefit obligation and benefit cost, including service and interest costs, on the Fund's Post Retirement Health Plan:

For the years ended December 31	2009	2008
Effect of change in health care cost trend rate:		
1% Increase		
Benefit obligation at December 31, 2009	\$ 713	\$ 596
Benefit cost for year ended December 31, 2009	53	45
1% Decrease		
Benefit obligation at December 31, 2009	\$ (597)	\$ (502)
Benefit cost for year ended December 31, 2009	(43)	(32)

b) Defined contribution plans

During 2009, the Fund expensed \$1,128 (2008 – \$1,486) for defined contribution pension plans.

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Note 11. Income Taxes

In 2007, amendments were made to the Income Tax Act that will require certain income trusts, including the Fund, to pay tax on its income, similar to those paid by Canadian corporations. Assuming that the Fund complies with the normal growth guidelines, as described in Note 17, the Fund will not be subject to such tax until January 1, 2011.

The significant components of the future tax assets and liabilities are as follows:

As at December 31	2009	2008
Future income tax assets – current:		
Accruals, reserves and other	\$ 1,314	\$ 305
Future income tax liabilities – current:		
Deferred contract revenue	969	2,601
Future income tax liabilities – long-term:		
Intangible assets	27,019	31,477
Property, plant and equipment	22,078	14,121
Post-employment obligations	(4,061)	(2,040)
Other	4,753	3,096
	49,789	46,654
Net future income tax liabilities	\$ 49,444	\$ 48,950

The recovery of income taxes differs from the provision computed at statutory rates as follows:

For the years ended December 31	2009	2008
Expected income tax at a combined rate of 30.2% (2008 – 30.8%)	\$ 10,529	\$ 9,688
Net earnings of the Fund not taxable	(14,495)	(11,261)
Impact of enacted rate changes	(4,306)	(455)
Other	(363)	149
Recovery of future income taxes	\$ (8,635)	\$ (1,879)

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 12. Unitholders' Capital

Authorized units of the Fund

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. All units are of the same class with equal rights and privileges and are not subject to future calls or assessments. Each unit entitles the holder to one vote at all meetings of unitholders. Units are redeemable at any time at the option of the holder at amounts related to market prices at the time, subject to certain factors including a maximum of \$50 in cash redemptions by the Fund in any particular month. This limitation may be waived at the discretion of the trustees of the Fund. Redemptions in excess of this amount, assuming no waiving of the limitation, shall be paid by way of a distribution in specie of a pro rata amount of assets of the Fund.

Authorized exchangeable partnership units of the Fund

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 exchange at least 1/6 of the original number of exchangeable partnership units issued to such holder at one time. The exchangeable partnership units, or in the event that such units are exchanged for Fund units are generally held for a period of time subject to the terms of an escrow arrangement entered into in connection with related business acquisitions.

Units issued and outstanding	Number of exchangeable partnership units	Number of units	Total number of units as issued	Number of warrants	Amount
Balance – December 31, 2007	1,067,073	14,009,000	15,076,073	-	\$ 180,139
Unit issuance	-	1,552,800	1,552,800	-	37,500
Exchangeable partnership unit issuance	511,260	-	511,260	-	12,500
Issuance costs	-	-	-	-	(1,744)
Balance – December 31, 2008	1,578,333	15,561,800	17,140,133	-	\$ 228,395
Unit issuance	-	3,102,941	3,102,941	-	55,075
Warrant issuance	-	-	-	235,294	1,305
Issuance costs	-	-	-	-	(3,166)
Exchange of exchangeable partnership units for units of the Fund	(1,106,012)	1,106,012	-	-	-
Cancellation of exchangeable partnership units	(27,000)	-	(27,000)	-	(582)
Balance – December 31, 2009	445,321	19,770,753	20,216,074	235,294	\$ 281,027

During the first quarter of 2009, the Fund completed an issuance of 3,100,000 additional units of the Fund at a unit price of \$17.75, representing gross proceeds of \$55,025. Proceeds, net of transaction costs, were held in escrow and subsequently used to repay the Fund's bridge term facility on April 1, 2009. Also during the first quarter of 2009, exchangeable partnership units representing \$582 were cancelled in a non-cash settlement of an amount due from Clearford Industries Inc. During the second quarter of 2009, 2,941 additional units of the Fund representing consideration of \$50 were issued in connection with an employment agreement. Also during the second quarter of 2009, the Fund completed an issuance of 235,294 warrants of the Fund. The warrants were issued in connection with the Fund's acquisition of certain assets and liabilities of Groupe Tremca Inc. ("Groupe Tremca"). Upon exercise

Armtec Infrastructure Income Fund

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of the warrants, consideration not to exceed \$4.0 million may be payable to the vendor in the form of Fund units at any time before 2013.

During 2008, the Fund completed an issuance of 1,552,800 additional units of the Fund at a unit price of \$24.15, representing gross proceeds of \$37,500. Also during 2008, the Fund completed an issuance of 511,260 exchangeable partnership units of the Fund at unit prices ranging between \$22.77 and \$25.72 representing gross non-cash consideration of \$12,500. The proceeds from these issuances were used to fund the acquisition of businesses during 2008 (Note 20).

Note 13. Distributions

During the year, 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 declared for the year ended December 31, 2009 were as follows:

Period	Record date	Payment date	Per unit	Amount (Whole Dollars)
January 2009	January 30, 2009	February 13, 2009	\$ 0.18	\$ 3,085,224
February 2009	February 27, 2009	March 13, 2009	0.18	3,643,224
March 2009	March 31, 2009	April 15, 2009	0.18	3,638,364
April 2009	April 30, 2009	May 15, 2009	0.18	3,638,364
May 2009	May 29, 2009	June 15, 2009	0.18	3,638,893
June 2009	June 30, 2009	July 15, 2009	0.18	3,638,893
July 2009	July 31, 2009	August 14, 2009	0.18	3,638,893
August 2009	August 31, 2009	September 15, 2009	0.18	3,638,893
September 2009	September 30, 2009	October 15, 2009	0.18	3,638,893
October 2009	October 30, 2009	November 13, 2009	0.18	3,638,893
November 2009	November 30, 2009	December 15, 2009	0.18	3,638,893
December 2009	December 31, 2009	January 15, 2010	0.18	3,638,893
Special Distribution	December 31, 2009	January 29, 2010	0.05	1,010,804
			\$ 2.21	\$ 44,127,124

For the year ended December 31, 2008, total distributions of \$33,444 were declared.

Note 14. Accumulated Other Comprehensive Income

During 2009, the change in value of the Fund's derivative financial instruments designated as cash flow hedges was \$1,343 (2008 – \$3,760) and resulted in an ending unrealized loss balance of \$2,417 (2008 – \$3,760). The change relates to the Fund's interest rate swaps used to mitigate its exposure to floating interest rates (Note 18).

Armtec Infrastructure Income Fund

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Note 15. Earnings per Unit

For the years ended December 31	2009	2008
Net earnings for the year	\$ 43,488	\$ 33,304
Basic weighted average number of units outstanding	19,770,125	16,093,543
Dilutive effect of warrants issued	37,372	-
Dilutive weighted average number of units outstanding	19,807,497	16,093,543
Earnings per unit from net earnings		
Basic	\$ 2.20	\$ 2.07
Diluted	\$ 2.20	\$ 2.07

For the purposes of weighted average number of units outstanding, the exchangeable partnership units issued were treated as if the units were converted to equivalent units of the Fund at the time of issuance. Earnings per unit amounts were calculated using the weighted daily average number of units outstanding during the year. The dilutive effects of outstanding warrants were reflected in diluted earnings per unit by application of the treasury stock method.

Note 16. Changes in Non-Cash Working Capital

For the years ended December 31	2009	2008
Cash provided by (used in):		
Accounts receivable	\$ 24,420	\$ (3,448)
Inventories	13,463	(2,906)
Prepaid expenses and other assets	(241)	337
Accounts payable and accrued liabilities	(3,902)	(667)
Deferred contract revenue – short-term	(916)	1,949
Deferred contract revenue – long-term	(3,500)	3,500
	\$ 29,324	\$ (1,235)

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Note 17. Capital Management

In the context of managing its capital, the objective of the Fund is to maintain a capital structure that allows multiple options to finance its development and growth along with providing unitholders' with an acceptable return on their investment. The Fund's total capitalization is defined as (i) net debt, which is long-term debt, including the Bridge facility, less cash and cash equivalents, and (ii) unitholders' equity.

As at December 31	2009	2008
Long-term debt	\$ 185,730	\$ 146,700
Long-term Bridge facility	40,000	-
	225,730	146,700
Short-term Bridge facility	-	50,000
Less: Cash and cash equivalents	(13,492)	(8,883)
Net debt	212,238	187,817
Unitholders' equity	276,779	223,458
Total capitalization	\$ 489,017	\$ 411,275
Net debt as a percentage of total capitalization	43.4%	45.7%

The Fund's objective for managing capital is to maximize long-term unitholder value by:

- Ensuring that capital is available for the continuing management of productive capacity by investing in capital expenditures that maintain the Fund's manufacturing ability.
- Ensuring that capital is available to expand productive capacity by making investments in capital expenditures and business acquisitions that add to manufacturing capacity and further diversify the Fund's product offerings and geographic presence.
- Maintaining distributions to unitholders of any cash that is not required for financing operations or capital investment growth opportunities that may offer unitholders better value.

The Fund, upon approval by its Board of Trustees, will balance its overall capital structure through unit issuances, the payment of distributions, the issuance of debt, or by undertaking other activities as deemed appropriate under the specific circumstances. The Fund continually monitors its capital structure. The Fund's objectives, policies and processes with respect to capital management remained unchanged during the year ended December 31, 2009.

The Fund regularly monitors current and forecasted debt levels to ensure the Credit Facility agreement covenants are achieved. Generally, the most significant financing restrictions relate to permitted investments and distributions, as well as the maintenance of certain financial ratios. At December 31, 2009, the Fund must maintain a ratio of funded debt to Adjusted Earnings, on a rolling four quarters basis, of 3.25:1 as well as a ratio above 4:1 of Adjusted Earnings over interest expensed. The Fund was in compliance with all covenants for the year ended December 31, 2009.

As a result of the Canadian trust taxation legislation passed in June 2007, the Fund is subject to certain capital growth restrictions referred to as normal growth guidelines. These guidelines limit the amount of unitholders' capital that can be issued by the Fund from November 1, 2006 to December 31, 2010. If the maximum normal growth limit is exceeded at any time, the Fund may be subject to income tax prior to 2011. The Fund has issued approximately \$55,797 in warrants and units of the Fund under the normal growth guidelines during 2009. The Fund has approximately \$40 million remaining that may be issued under its normal growth limits. If the Fund issues equity, the proceeds must be used to repay its Bridge facility.

In order to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of more than 49% of the units then outstanding. The Fund is in compliance with this requirement.

Armtec Infrastructure Income Fund

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Note 18. Financial Instruments

Fair value

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and other assets and 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.

For the Fund's estimates of fair value relating to financial instruments, including marketable securities, if applicable, and derivative financial instruments, the Fund classifies these measurements within the Level 2 fair value hierarchy using instruments provided by financial institutions, which reflects the significance of the inputs used in making the measurements. The Fund's derivative financial instruments include both forward exchange contracts and interest rate swaps. The fair value of the forward exchange contracts is the difference between the forward exchange rate and the contract rate. The fair value of the Fund's interest rate swaps was estimated based on the amount that would need to be paid or would be received to terminate the agreement.

Currency risk

The Fund is exposed to currency risk comprised primarily of cash and cash equivalents, accounts receivable, 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 ("US") dollar, as a portion of the Fund's transactions occur with customers or suppliers in US dollars. If the Canadian dollar depreciates or appreciates five percent against the US dollar at December 31, 2009, with all other variables held constant, the impact of the foreign currency change on the Fund's US dollar denominated financial instruments would lead to an increase or decrease in earnings of \$275, respectively.

For the year ended December 31, 2009, selling, general and administrative expenses included a foreign exchange gain of \$1,476 (2008 – \$1,195).

The company from time to time enters into forward exchange contracts to manage exposure to currency rate fluctuations. The Fund has currently not elected to apply hedge accounting for foreign exchange forward contracts. These derivatives are measured at fair value at the end of each period and the gains or losses resulting from the re-measurement are recognized in selling, general and administrative expense. As at December 31, 2009, the Fund had no outstanding foreign exchange forward contracts. As at December 31, 2008, the Fund had foreign exchange forward contracts outstanding, all due in 2009, representing commitments to sell \$8,900 US dollars at an average rate of \$1.2489 and buy \$2,000 US dollars at a rate of \$1.2240. During 2009, the fair value of these forward exchange contracts was included in current assets.

Interest rate risk

The Fund has exposure to movements in interest rates primarily due to the Fund's Credit Facilities that vary in accordance with borrowing rates in Canada. The Fund is in compliance with its credit agreement which requires it to enter into an interest rate swap agreement for a minimum of 50% of the Term facility. As these swaps qualify for accounting as cash flow hedges and the Fund designates these swaps as a hedge, the fair value of unrealized gains and losses was included in other comprehensive income, net of taxes, and the fair value of the interest rate swaps designated as a hedge was included in long-term debt.

The Fund's exposure to interest rate risk relates to the floating interest rate on its term, bridge and revolving Credit Facilities. The increase or decrease in interest expense for the year ending December 31, 2009 on the floating rate Credit Facilities could amount to \$1,383 for each 1% absolute change in the floating interest rate.

Credit risk

The Fund's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, accounts receivable and from the potential default by any of its counterparties on its derivative financial instruments including foreign exchange forward contracts and interest rate swaps. The Fund's credit risk for cash and cash equivalents is reduced as balances are held with major financial institutions. The Fund's credit risk on its derivative financial instruments is reduced as these contracts are held with major financial institutions and the Fund anticipates these counterparties will satisfy their obligations under the contracts.

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Exposure to credit risk with respect to its accounts receivable are minimized by the Fund's large customer base, which covers a diverse range of business sectors primarily in Canada. During the years ended December 31, 2009 and 2008, no single customer accounted for more than 10% of total revenues. The Fund follows a program of customer credit evaluations 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. Of the Fund's accounts receivable, \$38,231 was past due as at December 31, 2009 (2008 – \$38,644). The definition of items that are past due is determined by reference to terms agreed to with individual customers.

Of the accounts past due at December 31, 2009, \$32,621 (2008 – \$34,174) has been subsequently collected.

The balances past due are aged as follows:

As at December 31	2009	2008
0 – 30 days	\$ 24,708	\$ 20,418
31 – 60 days	7,813	7,771
61 – 90 days	3,454	4,572
Greater than 91 days past due	2,256	5,883
	\$ 38,231	\$ 38,644

Liquidity Risk

Liquidity risk arises through an excess of financial liabilities over available financial assets at any point in time. The Fund's objective in managing liquidity risk is to maintain sufficient readily available resources in order to meet its financial obligations as they come due. Management monitors rolling forecasts of expected cash flows in order to determine the Fund's liquidity position and monitors balance sheet liquidity ratios. In order to meet its financial obligations, the Fund relies on collecting its accounts receivable in a timely manner and by maintaining sufficient funds in excess of anticipated needs, including the ability to draw on the Fund's revolving Credit Facility.

The Fund's financial liabilities are comprised of accounts payable and accrued liabilities, distributions payable and long-term debt. The table below summarizes the maturity profile of the Fund's financial liabilities, excluding interest rate swaps, based on contractual undiscounted payments. The amount of interest, where applicable, is estimated using the Fund's borrowing rates at December 31, 2009.

For the years ended December 31	
2010	\$ 89,631
2011	52,867
2012	192,835
2013	687
	\$ 336,020

The undiscounted balances, estimated using the Fund's floating interest rate at December 31, 2009, payable in respect of the Fund's interest rate swap over each of the next three years is as follows.

For the years ended December 31	2010	2011	2012	Total
Long-term debt	\$ 1,909	\$ 772	\$ (256)	\$ 2,425

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Note 19. Contingencies and Commitments

Commitments for property, plant and equipment under operating leases

For the years ended December 31	
2010	\$ 6,651
2011	5,724
2012	5,095
2013	3,881
2014	3,443
Thereafter	30,061

Royalties

The Fund has entered into licensing agreements whereby it has the right to use certain trademarks on its products in the normal course of business.

Capital expenditures

As at December 31, 2009, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$2,062. Of this amount, \$267 relates to building improvements and \$295 relates to the purchase of manufacturing equipment due in 2010. Commitment to purchase land and buildings for \$1,500 is due when certain conditions are met.

Contingent liabilities

In the normal course of its business activities, the Fund is subject to a number of claims and legal actions that may be made by customers, suppliers and others in respect of which either an adequate provision has been made or for which no material liability is expected.

Note 20. Business Acquisitions

Business acquisitions are accounted for using the purchase price method, and accordingly, the consolidated financial statements include the results of operations for the businesses from the date of acquisition. The purchase price, including transaction costs, has been allocated to the net assets acquired based on management's best estimate of fair values. Certain business acquisition purchase price allocations remain subject to adjustment.

a) 2009 Business Acquisitions

Groupe Tremca

In May 2009, the Fund completed the acquisition of certain tangible and intangible assets and liabilities of Groupe Tremca for approximate consideration of \$52,046.

Pre-Con

In June 2009, the Fund completed the acquisition of the outstanding shares of Pre-Con for approximate consideration of \$56,787, net of cash. The acquisition is subject to adjustments specified in the share purchase agreement. As part of the acquisition of Pre-Con, management of the Fund decided that two of company's defined benefit pension plans would be wound up effective December 31, 2009. The fair value of the accrued benefit liability acquired reflects the value of this wind-up with the funded deficit of these two plans to be repaid over the next five years.

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	Groupe Tremca	Pre-Con	Total
Net assets acquired:			
Cash	\$ -	\$ 1,149	\$ 1,149
Accounts receivable	4,516	30,334	34,850
Inventories	5,805	1,765	7,570
Other current assets	143	121	264
Property, plant and equipment	13,355	32,029	45,384
Goodwill	13,099	18,286	31,385
Intangibles:			
Trademarks and tradenames	1,400	1,700	3,100
Customer contracts	500	-	500
Customer lists	14,600	2,600	17,200
Non-compete agreements	1,700	750	2,450
	18,200	5,050	23,250
Assets acquired	55,118	88,734	143,852
Liabilities assumed:			
Current liabilities	2,155	14,518	16,673
Accrued benefit liabilities	-	9,410	9,410
Future income tax liabilities – long-term	917	8,019	8,936
Consideration	\$ 52,046	\$ 56,787	\$ 108,833
	Groupe Tremca	Pre-Con	Total
Consideration comprising:			
Cash	\$ 50,741	\$ 56,259	\$ 107,000
Warrants	1,305	-	1,305
Payable to vendors	-	528	528
Consideration	\$ 52,046	\$ 56,787	\$ 108,833
Net cash flow	\$ 50,741	\$ 55,110	\$ 105,851

The amount of goodwill and intangibles expected to be deductible for future income tax purposes totals \$25,189 for Groupe Tremca.

During the first quarter of 2009, the Fund paid \$3,282 related to business acquisitions completed in 2008. During the first quarter of 2008, the Fund paid \$5,887 related to its 2007 acquisition of Con-Force.

During the fourth quarter of 2009, the Fund determined that a balance of \$15,000 was payable to the vendors of Durisol as the earnings of the acquired business exceeded a set predetermined threshold. The additional consideration was recognized goodwill. The Fund expects this amount will be paid in May of 2010.

Armtec Infrastructure Income Fund

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b) 2008 Business Acquisitions

Bruce Tile

In March 2008, the Fund completed the acquisition of certain tangible and intangible assets and liabilities of Bruce Tile for total consideration of \$12,707. During the third quarter of 2008, land and building of \$2,612 were purchased.

Durisol Inc. and its related companies ("Durisol")

In June 2008, the Fund completed the acquisition of the outstanding shares of Durisol for approximate consideration of \$23,815. The Fund has a commitment to purchase land and buildings of \$1,500.

A.E. Concrete Precast Products Ltd. ("AE Concrete")

In June 2008, the Fund completed the acquisition of the outstanding shares of AE Concrete for approximate consideration of \$20,409.

Brooklin Concrete ("Brooklin")

In July 2008, the Fund completed the acquisition of acquire certain assets and liabilities of the Brooklin division of Clearford Industries Inc. for approximate consideration of \$43,658.

Boucher Precast Concrete Ltd. ("Boucher")

In July 2008, the Fund completed the acquisition of the outstanding shares of Boucher for approximate consideration of \$22,339.

1219316 Alberta Ltd. (Con-Force Concrete Products – "CFCP")

In July 2008, the Fund completed the acquisition of the outstanding shares of CFCP, a subsidiary of Burnco Rock Products Limited, for consideration of \$53,608.

Oxford

In August 2008, the Fund completed the acquisition of certain tangible and intangible assets of Oxford for total consideration of \$5,748, subject to working capital adjustments.

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Bruce Tile	Durisol	AE Concrete	Brooklin	Boucher	CFCP	Oxford	Total
Net assets acquired:								
Accounts receivable	\$ -	\$ 15,025	\$ 2,891	\$ 4,753	\$ 4,553	\$ 13,709	\$ -	\$ 40,931
Inventories	2,602	924	1,918	4,644	755	5,682	1,590	18,115
Other current assets	-	267	355	131	75	166	-	994
Property, plant and equipment	9,412	2,501	4,658	21,707	8,311	15,865	2,664	65,118
Goodwill	-	255	8,609	7,844	8,757	17,216	-	42,681
Intangibles:								
Trademarks and tradenames	-	3,400	-	1,500	840	-	-	5,740
Customer contracts	-	900	-	-	155	210	-	1,265
Customer lists	1,116	5,200	6,900	5,500	4,600	8,800	1,494	33,610
Non-compete agreements	-	-	400	1,000	1,100	1,400	-	3,900
Licences	-	4,000	-	-	-	-	-	4,000
Other intangible assets	-	120	120	-	-	-	-	240
	1,116	13,620	7,420	8,000	6,695	10,410	1,494	48,755
Assets acquired	13,130	32,592	25,851	47,079	29,146	63,048	5,748	216,594
Liabilities assumed:								
Current liabilities	423	4,690	2,883	2,887	3,314	4,584	-	18,781
Long-term debt	-	-	21	534	216	-	-	771
Future income tax liabilities – long-term	-	4,087	2,538	-	3,277	4,856	-	14,758
Consideration	\$ 12,707	\$ 23,815	\$ 20,409	\$ 43,658	\$ 22,339	\$ 53,608	\$ 5,748	\$ 182,284
	Bruce Tile	Durisol	AE Concrete	Brooklin	Boucher	CFCP	Oxford	Total
Consideration comprising:								
Cash	\$ 8,207	\$ 18,815	\$ 19,498	\$ 41,240	\$ 17,464	\$ 51,237	\$ 5,748	\$ 162,209
Note payable	-	-	-	-	5,000	-	-	5,000
Exchangeable partnership units	4,500	5,000	-	3,000	-	-	-	12,500
Receivable over the next year	-	-	-	(582)	(125)	-	-	(707)
Payable over the next year	-	-	911	-	-	2,371	-	3,282
Consideration	\$ 12,707	\$ 23,815	\$ 20,409	\$ 43,658	\$ 22,339	\$ 53,608	\$ 5,748	\$ 182,284

The amount of goodwill expected to be deductible for future income tax purposes totals \$5,883 for Brooklin.

Note 21. Segmented Information

The Fund currently operates in three segments. The Armtec division manufactures drainage products and engineered solutions for infrastructure applications. The Con-Force division manufactures and installs precast and pre-stressed concrete components for a variety of applications including bridges, parkades, stadiums, office and residential buildings. The Durisol division designs and manufactures highway noise barriers and related infrastructure products. The assets and liabilities of corporate headquarters and other small operating entities are included within the Armtec division operating segment.

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

A portion of the Con-Force and Durisol divisions recognize revenue for construction contracts using the percentage-of-completion method. The Fund ensures that accounting policies are consistently followed among the Fund's operating segments for earnings from operations, net earnings and assets.

During the fourth quarter, the Fund announced a reorganization of its management structure which management expects to be completed by the end of the second quarter of 2010. The reorganization costs consist primarily of severance costs. As a part of this reorganization the Fund has realigned its management around a regional reporting structure and the Fund has determined that it will aggregate its segments into one operating segment in 2010.

a) Geographic sales

For the years ended December 31	2009	2008
Canada	\$ 424,010	\$ 356,485
International	39,819	35,578
Revenues to external customers	\$ 463,829	\$ 392,063

b) Operating segments

For the year ended December 31, 2009	Armtec division	Con-Force division	Durisol division	Total
Revenues to external customers	\$ 181,490	\$ 242,851	\$ 39,488	\$ 463,829
Amortization of property, plant and equipment	4,604	8,225	299	13,128
Amortization of intangible assets	3,209	7,547	1,006	11,762
Earnings from operations	14,431	25,078	8,901	48,410
Interest and financing expenses	2,812	9,808	937	13,557
Recovery of future income taxes	610	7,437	588	8,635
Net earnings	12,229	22,707	8,552	43,488
Reorganization costs expensed	2,294	4,043	159	6,496
Reorganization costs paid	862	1,924	79	2,865
Reorganization accrual – end of year	1,432	2,119	80	3,631
Assets	179,981	426,604	45,173	651,758
Property, plant and equipment	41,805	143,324	3,140	188,269
Payments for property, plant and equipment	2,913	9,723	504	13,140
Goodwill – beginning of year	39,012	74,442	255	113,709
Goodwill acquired (Note 20)	-	31,385	15,000	46,385
Goodwill – end of year	\$ 39,012	\$ 105,827	\$ 15,255	\$ 160,094

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

For the year ended December 31, 2008	Armtec division	Con-Force division	Durisol division	Total
Revenues to external customers	\$ 190,479	\$ 171,445	\$ 30,139	\$ 392,063
Amortization of property, plant and equipment	4,091	4,117	137	8,345
Amortization of intangible assets	2,874	8,300	1,032	12,206
Earnings from operations	16,154	18,947	5,521	40,622
Interest and financing expenses	3,517	5,177	503	9,197
Recovery of future income taxes	605	1,092	182	1,879
Net earnings	13,242	14,862	5,200	33,304
Assets	189,514	315,010	32,073	536,597
Property, plant and equipment	43,962	96,738	2,936	143,636
Payments for property, plant and equipment	4,602	4,824	573	9,999
Goodwill – beginning of year	39,012	32,016	-	71,028
Goodwill acquired (Note 20)	-	42,426	255	42,681
Goodwill – end of year	\$ 39,012	\$ 74,442	\$ 255	\$ 113,709

Note 22. Comparative Figures

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

Note 23. Subsequent Events

a) Exercise of exchangeable units

Subsequent to the year end, 51,432 exchangeable partnership units were exchanged into units of the Fund.

b) Distributions

On January 15, 2010, a distribution of \$0.18 per unit was declared in respect of January 2010. The record date of the distribution was January 29, 2010, with a payment date of February 12, 2010.

On February 16, 2010, a distribution of \$0.18 per unit was declared in respect of February 2010. The record date of the distribution was February 26, 2010, with a payment date of March 15, 2010.

On March 16, 2010, a distribution of \$0.18 per unit was declared in respect of March 2010. The record date of the distribution will be March 31, 2010, with a payment date of April 15, 2010.