

Management's Discussion and Analysis

Armtec Infrastructure Income Fund

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 "Declaration of Trust"). The Fund commenced active operations on July 27, 2004 when it completed an initial public offering ("IPO") of 9,015,000 trust units ("units") at a price of \$10.00 per unit and indirectly purchased all of the shares of Armtec Holdings Limited ("AHL"), which at the time held 100% ownership of Armtec Limited. Armtec Limited was the entity that carried on the business of Armtec. In this management's discussion and analysis ("MD&A") the term "Armtec" or the "Company" means the Fund together with its affiliated entities (including AHL). In accordance with the terms of the Declaration of Trust, the Fund makes monthly distributions of its distributable cash, being all cash received from its indirect ownership interest in Armtec Limited Partnership, which carries on the business of the Fund, less specified deductions.

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

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

March 9, 2005

The following Management's Discussion and Analysis ("MD&A") for the quarter and the fiscal period ended December 31, 2004 is a review of the financial condition and results of operations of Armtec Infrastructure Income Fund (the "Fund"). It should be read in conjunction with the consolidated financial statements and accompanying notes of the Fund for the initial period from July 27, 2004 to December 31, 2004. The financial information contained herein has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Unless indicated otherwise, all dollar amounts are expressed in thousands of Canadian dollars.

We have provided certain supplemental unaudited financial information for the full calendar year 2004 with comparative information for 2003, as management believes this will assist the reader in understanding the operating results for the underlying business. The calendar year information presented includes the consolidated financial information of Armtec Holdings Limited and subsidiaries prior to the acquisition of Armtec Holdings Limited by the Fund on July 27, 2004. Readers are cautioned that the combined operating results presented are not the results of the Fund for the year ended December 31, 2004 and have been presented only to provide the reader with additional information to enhance the comparability of operating results to Armtec Holdings Limited's year ended December 31, 2003.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian dollars except unit and per unit amounts)

Operating Results for the period ended December 31

	The Fund	Full Year Ended		Fourth Quarter	
	July 27, 2004	Combined		2004	2003 ^{2,4}
	to December	2004 ¹	2003 ^{2,4}	2004	2003 ^{2,4}
	31, 2004	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	\$ 77,441	\$ 143,445	\$ 122,199	\$ 41,569	\$ 29,645
Cost of sales	57,233	105,777	90,760	30,788	21,937
Gross Margin	20,208	37,668	31,439	10,781	7,708
As a % of revenue	26.1%	26.3%	25.7%	25.9%	26.0%
Selling, distribution, general and administrative expenses	13,615	27,341	23,171	8,231	6,040
Restructuring and severance and other one-time costs	-	3,398	627	-	382
Interest expense	788	2,146	3,001	462	660
Net earnings before taxes	5,805	4,783	4,640	2,088	626
Provision for (recovery of) income taxes	(391)	(485)	1,786	203	203
Net earnings for the period	\$ 6,196	\$ 5,268	\$ 2,854	\$ 1,885	\$ 423
Other Data:					
EBITDA³ (unaudited)	\$ 8,911	\$ 12,447	\$ 12,270	\$ 3,955	\$ 2,469
As a % of Revenue	11.5%	8.7%	10.0%	9.5%	8.3%
Adjusted EBITDA³ (unaudited)	\$ 10,636	\$ 18,116	\$ 14,086	\$ 4,047	\$ 3,334
As a % of Revenue	13.7%	12.6%	11.5%	9.7%	11.2%

¹ The operating results for the full year ended December 31, 2004 consist of the consolidated 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 consolidated results of the Fund for the period between July 27, 2004 and December 31, 2004.

² Consolidated operating results for the full year and the fourth quarter ended December 31, 2003 pertain to predecessor Armtec Holdings Limited.

³ EBITDA and Adjusted EBITDA are not defined terms under Canadian GAAP. For more information, refer to the Non-GAAP Measures section of this MD&A.

⁴ Prior period results have been reclassified to conform to the current presentation of financial information.

Combined Revenues

Combined revenues increased by \$21.2 million or 17.4% to \$143.4 million for the year ended December 31, 2004 compared to revenues of \$122.2 million for the year ended December 31, 2003. The increased revenue is primarily attributed to improved sales in the Company's corrugated steel and high-density polyethylene pipe products ("Pipe") and engineered product lines largely as a result of organic growth. Major factors driving the increases were increased infrastructure spending from both provinces and municipalities, improved economies for certain private sector industries and continued price leadership. The Company has been successful in passing on raw material cost increases to its customers.

Pipe sales accounted for a combined \$94.9 million in revenue for 2004, an increase of \$12.3 million or 14.9% from the \$82.6 million recorded in 2003. As expected, most provinces across Canada increased their infrastructure spending in 2004 in recognition of an ageing public infrastructure requiring renewed attention. The 2004 calendar year also marked the continuation of a rebound in Armtec's forestry market with a combination of increased commodity prices and strong demand generating solid pipe demand from the Fund's forestry customers. In 2004, Armtec experienced strong demand for agricultural pipe with near-perfect weather conditions for installation in both the spring and fall seasons. Pipe revenues in western Canada were strengthened as a result of the manufacturing, sales and service agreement the Fund entered into with Edmonton-based Polytubes Inc., which permitted access to a broader range of customers in the region. Throughout 2004, the Company continued its practice of price leadership in the industry, effectively raising prices in connection with rising prices in raw material markets.

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Engineered products accounted for a combined \$18.6 million in revenue for 2004, an increase of \$7.7 million or 70.6% from the \$10.9 million in 2003. Bridge-Plate™ and Multi-Plate® sales increased in the past year as a result of increased public infrastructure spending in Canada combined with a greater focus on the sales of these products. International shipments of engineered products increased in 2004 with emerging markets such as Russia continuing to make infrastructure investments a priority. Due to the relative cost-effective shipping methods, competitive bids are being won in these overseas markets. Increases in demand for most of Canada's commodities resulted in higher demand from mining customers. In addition, price leadership in response to higher steel costs had a positive effect on revenues.

Other products including water control gates, foundation and geosynthetic membranes accounted for combined revenues of \$29.9 million, an increase of \$12.4 million or 4.2% from the \$28.7 million recorded in 2003. Overall demand for other products remained consistent with 2003.

Combined Gross Margin

Combined gross margin for the year ended December 31, 2004 was \$37.7 million, an improvement of \$6.3 million or 19.8% over the \$31.4 million of gross margin for the year ended December 31, 2003. The margin improvement in dollars can primarily be attributed to the revenue increases in Armtec's pipe and engineered product lines along with improvements in manufacturing productivity compared to 2003. Improvement in productivity in each location continues to be a priority for management and employees.

On a percentage basis, the gross margin improved to 26.3% of revenue in 2004 from 25.7% in 2003. The percentage increase can largely be attributed to a more favourable sales mix compared to the 2003 year, as well as productivity gains experienced in Armtec's manufacturing processes. These gains were partially offset by an allocation of \$1.5 million to the inventory acquired by the Fund on July 27, 2004. Following a detailed review of the asset values as at the Fund's inception, the acquired inventory value was increased by \$1.5 million to reflect its fair value. The subsequent sale of this inventory was recorded at reduced margins as this additional value was expensed through cost of sales.

Combined Selling, Distribution, General and Administrative Expenses

Combined selling, distribution, general and administrative expenses for the year ended December 31, 2004 were \$27.3 million or \$4.1 million higher than the \$23.2 million incurred during 2003. Of this increase, \$2.0 million was due to increases in selling and delivery expenses consistent with revenues experienced in 2004. Other factors include increases in amortization, higher employee incentive expenses related to the Fund's strong financial performance and additional ongoing administration costs associated with the Fund becoming publicly owned on July 27, 2004. The increase in amortization was primarily due to increased expense associated with Armtec's intangible assets based upon their assigned values on formation of the Fund.

Combined Non-recurring Expenses

Combined restructuring, severance and other one-time costs for the year ended December 31, 2004 were \$3.4 million compared to the \$0.6 million incurred in the year ended December 31, 2003. Immediately prior to the Fund's completion of the IPO, Armtec Limited incurred a number of one-time costs associated with the IPO. The aggregate amount of these one-time costs was \$3.3 million and included transaction bonuses, the payout of existing stock options, writedowns of Armtec Limited's machinery division, deferred financing costs of retired bank financing, and the expensing of costs to close a previously existing interest rate swap. The costs in 2003 were principally related to relocation and severance costs arising from a reorganization of management and sales personnel.

Combined Interest Expense

Combined interest expense of \$2.1 million for the year ended December 31, 2004 decreased by \$0.9 million from the \$3.0 million incurred during the year ended December 31, 2003. The decrease was due to lower interest rates during the year in addition to lower average borrowing levels.

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Combined Income Taxes

Based on the pre-tax income of \$4.8 million, the overall expected income tax expense was \$1.7 million. As the Fund is a mutual fund trust for Canadian income tax purposes, income allocated to unitholders effectively reduced the Fund's current income tax to nil. The Fund generated a future income tax recovery of \$0.4 million due to the amortization of intangible assets and other timing differences. During the period January 1, 2004 to July 26, 2004 Armtec reported a tax recovery of \$0.1 million.

Combined Year-to-date Net Earnings and EBITDA (refer to Non-GAAP Measures)

Net earnings for the combined year ended December 31, 2004 were \$5.3 million compared to the \$2.9 million earned during the year ended December 31, 2003.

EBITDA for the combined year ended December 31, 2004 was \$12.4 million compared to \$12.3 million in 2003. The improvement was due primarily to the growth in revenues at better margins largely offset by the increased selling and delivery expenses, the net increases in unusual charges in 2004 and the initial allocation of profit in inventory at the time of acquisition to cost of goods sold as noted above.

EBITDA adjusted for the effects of the restructuring, severance and other one-time costs was \$18.1 million or 28.6% higher than the \$14.1 million earned for the year ended December 31, 2003. The improvement was due primarily to increased revenues and associated gross margin partially offset by additional transportation costs, an increase in employee incentive costs related to the Fund's positive performance and an increase in administrative costs resulting from the Fund's additional public company costs.

Outlook

The increase in infrastructure spending noted in 2004 is expected to be sustained in 2005. The outlook for natural resources remains positive with international demand for Canadian commodities expected to continue into 2005 despite the lack of a long-term resolution of the softwood lumber trade dispute. Strong investment activity in the mining, oil and gas industries is also expected, continuing a trend that began in early 2004. Agricultural markets were unusually strong in 2004 partially stemming from ideal installation conditions in both the spring and fall seasons. In the event that 2005 weather conditions return to more historical patterns, agricultural demand would be negatively affected. The addition of the Construction Products Division of Maritime Steel and the increased capacity from the Poly tubes agreement for a full year should have a positive effect on revenues.

The Company anticipates continued demand from Russia and the Caribbean while attempting to penetrate new markets such as Korea. Recently, Armtec reached an agreement with Menard Inc. in Wisconsin to sell Platon in approximately 200 stores in the mid-western United States, thereby improving the outlook for the product's performance in the United States in 2005.

Margins as a percentage of revenue are expected to decrease slightly due to continued increases in commodity prices for raw materials.

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Fourth Quarter Results

Fourth quarter revenue of \$41.6 million for fiscal 2004 increased by \$12.0 million or 40.2% from \$29.6 million for the comparative quarter in fiscal 2003. This growth in revenues is mainly attributed to stronger demand, a longer construction season for infrastructure projects, favourable weather conditions for agricultural installations and increased international demand. This contributed to higher revenues in almost all product lines, but particularly in pipe and engineered products.

Gross margin for the fourth quarter of 2004 was \$10.8 million, an improvement of \$3.1 million or 39.9% over the \$7.7 million earned in the fourth quarter of 2003. The margin improvement was principally attributed to the increase in volumes described above. Margins as a percentage of revenues decreased slightly from 26.0% in the fourth quarter of 2003 to 25.9% in 2004. This decrease was due primarily to increases in raw material costs late in 2004 in addition to an unfavourable sales mix. This was largely offset by gains from higher productivity in the fourth quarter of 2004 due to increased volumes.

Selling, general and administrative costs for the fourth quarter of 2004 were \$8.2 million, an increase of \$2.2 million over the \$6.0 million incurred in the comparable quarter of 2003. Of this increase, \$1.3 million was a result of increased selling and delivery expenses consistent with the increase in related revenues. The remaining increase can largely be attributed to increases in amortization, higher employee incentive expenses related to the Fund's strong financial performance and additional administration costs associated with the Fund becoming publicly owned on July 27, 2004.

Restructuring, severance and other one-time costs for the fourth quarter of 2004 were nil compared to the \$0.4 million incurred in the comparable quarter of 2003. The costs in 2003 were principally related to relocation and severance costs arising from a reorganization of management and sales personnel.

Interest expense of \$0.5 million for the fourth quarter of 2004 decreased by \$0.2 million, or 30.0%, from the \$0.7 million incurred during the comparable quarter in 2003. This decrease was attributable to a decrease in average debt between the two periods as well as a decline in the average interest rate when compared to the effective interest rate incurred during the fourth quarter of 2003.

As discussed, the Fund is a mutual fund trust and is not subject to taxes to the extent that income earned by the Trust is allocated to unitholders. The Fund's wholly-owned subsidiary is subject to tax and accordingly, future tax assets and liabilities are recorded on all temporary differences on the assets and liabilities held through the subsidiary. There were no current income taxes payable in the period ended December 31, 2004. The provision for future taxes represents the effects of changes in temporary differences during the quarter, including the impact in the quarter of certain changes in the purchase allocation which was finalized during the fourth quarter.

Net earnings for the fourth quarter of 2004 were \$1.9 million, an increase of \$1.5 million over the \$0.4 million earned during the comparable quarter in 2003.

EBITDA (Refer to "Non-GAAP Measures" for a definition of this term) for the fourth quarter of 2004 was \$4.0 million or 9.5% of revenue, compared to \$2.5 million or 8.3% of revenue in the comparable quarter in 2003, an increase of \$1.5 million. The improvement was due primarily to the growth in revenues that were partially offset by the higher cost of raw materials and higher selling, general and administrative costs. There were no restructuring costs incurred in the fourth quarter of 2004 compared to costs of \$0.4 million in 2003.

EBITDA adjusted for the effects of the one-time costs noted above (Refer to "Non-GAAP Measures" for a definition of this term) was \$4.0 million, or 9.7% of revenue, an improvement of \$0.7 million over the \$3.3 million or 11.2% of revenue earned in the comparable quarter in 2003. The factors driving the increase were additional volume partially offset by additional transportation costs, an increase in employee incentive costs related to the Fund's positive performance and an increase in administrative costs resulting from the Fund's additional ongoing public company costs.

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

Distributions

The Fund makes regular monthly distributions to unitholders of record as of the last business day of each month. Distributions to unitholders are calculated and recorded as declared.

Distributions for the period ended December 31, 2004 are as follows:

Period	Record date	Payment date	Per unit	Amount
July 27 – August 31, 2004	August 31, 2004	September 15, 2004	\$ 0.113	\$ 1,019
September 2004	September 30, 2004	October 15, 2004	0.100	901
October 2004	October 29, 2004	November 15, 2004	0.100	902
November 2004	November 30, 2004	December 15, 2004	0.100	902
December 2004	December 31, 2004	January 14, 2005	0.100	901
Special one-time	December 31, 2004	January 28, 2005	0.350	3,155
			<u>\$ 0.863</u>	<u>\$ 7,780</u>

The special one-time distribution of \$0.35 per unit declared in December 2004 was necessary in order to distribute the taxable income of the Fund. As a result, the Fund did not report taxable income in 2004.

Of the distributions declared in 2004, 12.5% was a return of capital and the remaining 87.5% was subject to income tax in the hands of the unitholders.

Distributable Cash (See Non-GAAP Measures)

Statement of Distributable Cash (unaudited)

(expressed in thousands of Canadian dollars except per unit amounts)	For the period July 27 – Sept 24, 2004	For the period Sept 25 – Dec 31, 2004	For the period July 27 - Dec 31, 2004
Net earnings for the period	\$ 4,311	\$ 1,885	\$ 6,196
Non-cash inventory adjustment	1,500	-	1,500
Depreciation and amortization	913	1,405	2,318
	6,724	3,290	10,014
Future income taxes (recovery)	(594)	203	(391)
Purchase of property, plant and equipment	(33)	(676)	(709)
Distributable cash	\$ 6,097	\$ 2,817	\$ 8,914
Distributions declared	\$ 1,920	\$ 5,860	\$ 7,780
Net earnings per unit	\$ 0.4782	\$ 0.2091	\$ 0.6873
Distributable cash per unit	\$ 0.6763	\$ 0.3125	\$ 0.9888
Distributions declared per unit	\$ 0.2130	\$ 0.6500	\$ 0.8630

Distributable cash for the period was \$8.9 million, from which the Fund declared distributions totalling \$7.8 million. Armtec's business is subject to seasonality, with sales building up through the second quarter and generally reaching peak levels in the third quarter. In 2004, favourable weather conditions and improved infrastructure and private sector spending allowed for an extended sales season well into the fourth quarter. Consequently, the results of the July 27 to December 31, 2004 period should not be considered representative of a 12-month period of distributable cash.

Outstanding Unit Data

An unlimited number of units may be issued pursuant to the Fund's Declaration of Trust. Each unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund and in the net assets of the Fund in the event of termination or winding-up of the Fund. Each unit entitles the unitholder thereof to one vote at all meetings of unitholders. As at March 9, 2005, there are 9,015,000 units issued and outstanding.

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

Summary of Quarterly Results

Three Months Ended (Unaudited)
(expressed in thousands of Canadian dollars)

	Dec 31, 2004	Sept 24, 2004	June 25, 2004	Mar 26, 2004	Dec 31, 2003	Sept 26, 2003	June 27, 2003	Mar 28, 2003
Revenue	\$ 41,569	\$ 49,677	\$ 38,581	\$ 13,618	\$ 29,645	\$ 43,498	\$ 35,905	\$ 13,151
Net earnings (loss)	\$ 1,885	\$ 3,151	\$ 2,529	\$ (2,297)	\$ 423	\$ 2,890	\$ 1,518	\$ (1,977)
Net earnings (loss) per unit	\$ 0.21	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A

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

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

Cash Flow and Liquidity

As at December 31, 2004 the Fund's cash and cash equivalents amounted to \$2.9 million. Declared but unpaid distributions were \$4.1 million. The Fund had working capital of \$18.5 million, which is sufficient to meet short-term obligations.

Cash Flow from Operations

For the period between July 27, 2004 and December 31, 2004, \$8.4 million of cash flow was generated before changes in non-cash working capital. The non-cash component of working capital decreased generating an additional \$14.3 million in cash flow from operations. The decrease in the non-cash component of working capital was primarily due to a decrease in customer accounts receivable and inventories before the end of the year, partially offset by a decrease in supplier accounts payable. This is typical during the fourth quarter as the construction season winds down and customer balances are collected and supplier invoices are paid. The combination of cash flow from operations and decreases in non-cash working capital generated \$22.7 million of cash in the period July 27, 2004 to December 31, 2004.

Investing Activities

Upon completion of the IPO on July 27, 2004, the Fund used \$78.4 million to indirectly acquire all of the outstanding shares of AHL.

Capital expenditures for the period between July 27, 2004 and December 31, 2004 totalled \$0.7 million, all of which were related to maintenance capital expenditures.

In September 2004, Armtec acquired certain assets and liabilities of the Construction Products Division of Maritime Steel and Foundries Limited for \$2.3 million, including transaction costs, subject to working capital adjustments. At December 31, 2004, \$0.1 million remained unpaid in the form of a holdback for working capital adjustments. This holdback was paid in January 2005.

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Financing Activities

On July 27, 2004, the Fund completed the IPO and issued 9,015,000 units, receiving net proceeds of \$82.3 million after deducting underwriter fees and other unit issuance costs.

Upon completion of the offering, the Fund entered into a new credit agreement that provides for a \$25.0 million term facility and a \$25.0 million revolving credit facility.

During the period, the Fund used \$41.4 million of cash to retire the previously existing bank loan and made net borrowings under the Fund's new credit agreement in the amount of \$25.0 million. The initial borrowings on the Fund's revolving facility of \$16.1 million were fully repaid at December 31, 2004. The Fund's purchase of the Construction Products Division of Maritime Steel and Foundries Limited was financed through a \$2.0 million additional borrowing under the term credit agreement. Armtec is in compliance with all covenants.

Armtec has fixed the interest rate on \$11.5 million of the term loan through a swap agreement, resulting in an effective interest rate, before bank issuance costs of 3.8%. The swap's maturity date was set to coincide with the maturity of the term of the loan on July 27, 2007.

Distributions paid to unitholders amounted to \$3.7 million during the period. A further \$4.1 million was declared and payable at December 31, 2004. This consisted of the regular monthly distribution for December 2004 in addition to the special distribution declared in order to ensure that the Fund fully distributed all of its remaining taxable income. The 2004 distributions were paid out of operating cash flow. The Fund intends to continue making equal monthly cash distributions of its net cash receipts. Currently, the monthly distributions are set at \$0.10 per unit.

Capital Resources

At December 31, 2004, Armtec had credit facilities that provide a \$25.0 million term facility and a \$25.0 million revolving credit facility, both at variable interest rates. The interest rate on \$11.5 million of the term facility has been fixed through a swap agreement, resulting in an effective interest rate, before bank issuance costs, of 3.8%. Armtec is in compliance with all covenants. At December 31, 2004, all \$25.0 million has been advanced on the term facility and is outstanding while no amounts are outstanding on the revolving credit facility. There are no mandatory principal repayments on the term facility prior to maturity in July 2007. Due to the seasonality of the business, the revolving credit facility is available to support temporary cash requirements for working capital and distributions.

Cash and cash equivalents at December 31, 2004 amounted to \$2.9 million.

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

Anticipated cash distributions to unitholders are not commitments at December 31, 2004; however, the Fund is required to distribute an amount equal to or above its taxable income in order to eliminate the Fund's income tax liability. Management has estimated the annual cash distributions to be \$1.20 per unit or \$10.8 million. This is consistent with the annual per unit cash distribution disclosed in the Fund's IPO prospectus.

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

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Contractual Obligations

	Total	Payments due by period			
		Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Term bank loan	\$ 25,000	\$ -	\$ 25,000	\$ -	\$ -
Purchase obligations	148	148	-	-	-
Long-term incentive plan	271	271	-	-	-
Operating leases	3,844	905	1,534	965	440
Total	\$ 29,263	\$ 1,324	\$ 26,534	\$ 965	\$ 440

Off-Balance Sheet Arrangements

The Fund's off-balance sheet arrangements consist of operating leases and licenses. Operating leases are for facilities and vehicles with market terms and do not have associated escalating rent or make-good provisions that materially impact the financial statements. The Fund's licenses require royalty payments at certain predetermined levels based on the profitability of certain products. Royalty obligations are accrued when the associated profit is recognized.

At December 31, 2004, the amount of royalty payments owing was \$0.1 million. For the period between July 27, 2004 and December 31, 2004, royalty expense amounted to \$0.2 million.

Selected Financial Information

For the year ended December 31

	The Fund July 27, 2004 to December 31,			
	2004 (unaudited)	2004 ¹ (unaudited)	2003 ² (unaudited)	2002 ² (unaudited)
Revenue	\$ 77,441	\$ 143,445	\$ 122,199	\$ 125,530
Net earnings	6,196	5,268	2,854	1,458
Net earnings, per unit	0.69	N/A	N/A	N/A
EBITDA ³	8,911	12,447	12,270	10,139
Adjusted EBITDA ³	10,363	18,116	14,086	14,721
Total assets	148,451	148,451	102,591	108,152
Total long-term debt	25,000	25,000	28,654	35,000

¹ 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.

² Operating results for the year ended December 31, 2003 and December 31, 2002 pertain to Armtec Holdings Limited. The operating results for these periods are shown for comparative purposes only. However, the operating results may not be indicative of the operating results of the Fund for a full year.

³ EBITDA and Adjusted EBITDA are not defined terms under Canadian GAAP. For more information, refer to the Non-GAAP Measures section of this MD&A.

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Non-GAAP Measures

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

"Adjusted EBITDA" is EBITDA after removing the effects of non-recurring items and non-cash items. Non-recurring items are transactions or events which management believes are unusual and are not expected to reoccur within the foreseeable future, including non-recurring restructuring expenses, non-recurring management transaction bonuses and option cancellation payments. All such adjustments are based on historical information or contractual commitments. Adjusted EBITDA is not a recognized measure under Canadian GAAP and the qualifications outlined above with respect to EBITDA apply equally to Adjusted EBITDA.

	The Fund July 27, 2004 to December 31, 2004 (unaudited)	Full Year Ended		Fourth Quarter	
		2004 ¹ (unaudited)	2003 ^{2,3} (unaudited)	2004 (unaudited)	2003 ^{2,3} (unaudited)
Net earnings for the period	\$ 6,196	\$ 5,268	\$ 2,854	\$ 1,885	\$ 423
Provision for (recovery of) income taxes	(391)	(485)	1,786	203	203
Depreciation and amortization	2,318	5,518	4,629	1,405	1,183
Interest expense	788	2,146	3,001	462	660
EBITDA	\$ 8,911	\$ 12,447	\$ 12,270	\$ 3,955	\$ 2,469
Restructuring and severance expenses	-	3,398	627	-	382
Non-cash inventory valuation adjustment	1,500	1,500	-	-	-
Non-cash interest rate swap loss (gain)	171	(86)	-	76	-
Non-cash post retirement benefits expense	108	401	503	28	282
Non-continuing capital taxes expense	-	72	150	-	38
Non-continuing management fees expense	-	286	500	-	125
Other non-cash items	(54)	98	36	(12)	38
Adjusted EBITDA	\$ 10,636	\$ 18,116	\$ 14,086	\$ 4,047	\$ 3,334

¹ 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.

² Operating results for the full year and the fourth quarter ended December 31, 2003 pertain to Armtec Holdings Limited.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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 Armtec 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 inventory, goodwill and intangible assets, and post-employment benefit liabilities. Armtec bases its estimates on historical experience and on various other assumptions, which are believed to be reasonable under the circumstances, the results of which form the basis for making 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.

Goodwill and Intangible Assets

Goodwill is recorded at cost and is not amortized. Intangible assets consist primarily of trademarks, tradenames, customer lists, customer contracts and licenses. 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, 2004. If future operating results for Armtec are less favourable than those projected by management, a write-down of goodwill may be required.

Post-Employment Benefits

Post-employment benefits are accounted for on an accrual basis. 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. Armtec'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.

Inventory

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

Derivative Financial Instruments

The Fund entered into an interest rate swap agreement on September 3, 2004 for \$11.5 million of its \$25.0 million term facility, resulting in an effective interest rate before bank issuance costs of 3.8%. The Fund entered into the swap to mitigate its exposure to variable interest rates but is exposed to fluctuations in the market value of the swap itself. There was a decline in the mark-to-market value of the swap during the period of July 27, 2004 to December 31, 2004 of \$0.2 million, classified as selling, general and administrative expenses. The mark-to-market value of the swap is derived from an independent valuator using appropriate market assumptions.

Accounting Policy Changes

There have been no changes in accounting policy for the period from July 27, 2004 to December 31, 2004. There are no changes currently contemplated for fiscal 2005 that management expects will have a material impact on the financial results of the Fund.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Recently Adopted Accounting Standards

Impairment of Long-Lived Assets

The Fund has adopted the Canadian Institute of Chartered Accountants' handbook Section 3063, "Impairment of Long-Lived Assets". The new section establishes standards for recognition, measurement and disclosure of the impairment of non-monetary long-lived assets, including property, plant and equipment, intangible assets with finite useful lives, deferred pre-operating costs and long-term prepaid assets. The standards require that an impairment loss be recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. Should a writedown be required, the asset is written down to its fair value. The implementation of these new standards had no material effect on the consolidated financial statements of Armtec.

Hedging Relationships

The Fund has adopted the Canadian Institute of Chartered Accountants' accounting guideline 13 ("AcG 13") "Hedging Relationships". AcG 13 provides requirements for applying hedge accounting. The Fund has elected to apply mark-to-market accounting to its interest rate swap in accordance with the provisions of this standard. For the period from July 27, 2004 to December 31, 2004, the Fund incurred a deferred swap loss of approximately \$0.2 million, representing the decline in value of the swap during this period.

Asset Retirement Obligations

The Fund has adopted the new accounting standard Asset Retirement Obligations, which establishes standards for the recognition, measurement and disclosure of asset retirement obligations and the related asset retirement costs. This new standard applies to obligations associated with the retirement of property, plant and equipment when those obligations result from the construction, development or normal operation of assets. The standard requires the recognition of all legal obligations associated with the retirement, whether by sale, abandonment, recycling or other disposal of an asset. The impact of the adoption of this standard was immaterial to Armtec's financial statements.

Risks and Uncertainties

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

Industry Cyclical

The demand for pipe and related infrastructure products is cyclical and is driven by the public infrastructure, natural resources, residential drainage and agricultural drainage markets. 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 experience a downturn, this is likely to have a negative impact on the infrastructure industry.

Competition

The Canadian market for high-density polyethylene (HDPE) pipe and corrugated steel pipe (CSP) is fragmented. Armtec's competitors are comprised primarily of regionally based, private companies, all of which are smaller and less diversified than Armtec. Armtec believes that it is the market leader in the corrugated HDPE pipe, CSP and related engineered products markets in Canada.

Management 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 services. With its leading market position, brand recognition, breadth of product lines, established supplier and customer relationships and experienced management, management believes that Armtec can continue to compete successfully in Canada.

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Reduction in Demand for Products

Armtec derives revenue from customers in a diverse cross-section of industries, including the public infrastructure markets and private sector markets such as natural resources, residential drainage 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 the CSA standards). With respect to the private sector markets, there is a risk that Armtec 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 Armtec'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.

Relationships with Suppliers

Armtec currently relies on a limited number of suppliers for its key materials. Armtec has maintained long-term relationships with key suppliers of raw materials, which have resulted in a competitive advantage in procurement and reliability of supply. Armtec's principal steel supplier is currently experiencing financial difficulties and a change in ownership is possible. Therefore, there is no assurance that it (or any other supplier of raw materials) will be able to continue supplying Armtec with the same quantity of materials, or on the same terms, that it does under existing arrangements. There can be no assurance that, in the event Armtec 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, Armtec has typically not entered into written long-term agreements with its customers or its suppliers. As a result, customers or suppliers may, with little or no notice or penalty, terminate their relationship with Armtec at any time. In addition, even if customers or suppliers should decide to continue their relationship with Armtec, there can be no guarantee that customers will purchase or suppliers will supply the same amount of product as in the past, or that purchase or supply, as the case may be, will be on similar terms.

Expiration of Rights under License and Distribution Arrangements

A portion of Armtec's revenue is generated from the sale of products, which are subject to license arrangements or are distributed by Armtec pursuant to distribution arrangements. Armtec will need to take steps to either negotiate the renewal or extension of its current license 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 license or distribution arrangements or develop alternate sources of revenue under any license or distribution arrangements, which may be terminated or not renewed. Furthermore, Armtec's license arrangement with Isola AS concerning the System Platon product contains a non-competition covenant applicable to Armtec pursuant to which Armtec has agreed to not manufacture or sell any products which are competitive with System Platon for a period of two years following termination of such arrangement. Assuming that the non-competition covenant is enforced against Armtec, Armtec will be prohibited from being involved in a market in which it currently competes for a two-year period if the license arrangement with Isola AS is terminated.

Raw Material Price Volatility

Various raw materials are used in the products manufactured by Armtec, and such raw materials may be subject to economic cyclicity and seasonality and wide price variations. In particular, the primary raw materials used in Armtec's plastic and steel products are various types and grades of resins and steel, respectively. 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 material price volatility by passing through to customers, most, if not all, of the price volatility. However, there can be no assurance that the industry dynamics will allow Armtec to continue to reduce its exposure by passing through raw material price increases to its customers.

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Product Liability

Difficulties in product design, performance and reliability could result in lost revenue, delays in customer acceptance of Armtec's products or lawsuits and would be detrimental to Armtec's market reputation. Armtec'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. Armtec 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 Armtec's business and prospects. In addition, product defects may expose Armtec to product liability claims, for which it may not have sufficient product liability insurance.

Intellectual Property

Armtec uses various manufacturing processes to produce drainage products and 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, Armtec 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 license from the relevant party. Armtec cannot be assured of obtaining any such license on commercially favourable terms, or at all.

Armtec relies on a combination of patent and trademark laws, trade secrets, confidentiality procedures, licenses and agreements to protect its proprietary rights and certain proprietary rights licensed to Armtec under various distribution arrangements (collectively, the "Proprietary Technologies"). Despite efforts to protect the Proprietary Technologies by Armtec or the licensor of any of the Proprietary Technologies (the "Licensor"), unauthorized parties may attempt to copy aspects of Armtec's products or obtain information that Armtec regards as proprietary. Policing unauthorized use of the Proprietary Technologies, if required, may be difficult, time-consuming and costly. There can be no assurance that the Licensor's or Armtec'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 Armtec.

Reliance on Key Personnel

Armtec's operations are dependent on the abilities, experience and efforts of its senior management and key sales and support personnel. While Armtec 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 Armtec, the financial performance of Armtec could be significantly adversely impacted.

Environmental

Armtec 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. Armtec believes that the conduct of its operations is currently in material compliance with existing environmental laws and regulations. In conjunction with independent engineering firms, Armtec 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 Armtec's financial condition.

Management believes that Armtec 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. Armtec 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.

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Collective Bargaining

On average during the year, 56 employees at six manufacturing plants are subject to collective bargaining agreements. While management believes that Armtec's relations with its employees are excellent, there are no assurances that a strike or other disruption by its unionized employees will not occur.

Interest Rates

Armtec's credit facilities are subject to floating interest rates and, therefore, are subject to fluctuations in interest rates. Interest rate fluctuations are beyond Armtec's control and there can be no assurance that interest rate fluctuations will not have a significant adverse effect on Armtec's financial performance. Armtec entered into an interest rate swap to mitigate its interest rate risk on \$11.5 million of the \$25.0 million term facility. The swap fixes the interest rate on the hedged portion of the term facility at an effective rate of 3.8%. Management believes this to be an effective hedge. However, Armtec is still subject to interest rate risk on the remaining \$13.5 million of the term loan facility, market value fluctuations on the hedge itself, as well as fluctuations on interest incurred on the revolving credit facility.

Uninsured and Underinsured Losses

Armtec maintains insurance policies with insurers in amounts and with coverages and deductibles that management of Armtec believes are reasonable and prudent. Armtec 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 out of 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 Armtec.

Operating Hazards

Armtec's revenue is dependent on the continued operation of its facilities. The operation of facilities involves some 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 Armtec 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 personal 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. Furthermore, Armtec also has exposure to future claims with respect to workplace exposure, workers' compensation and other matters, arising from events both prior to and after the acquisition. There can be no assurance as to the actual amount of these liabilities or the timing of them.

Risk of Future Legal Proceedings

Armtec 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 Armtec, or the imposition of a significant fine or penalty, as a result of a finding that Armtec has failed to comply with laws or regulations could have a material adverse effect on Armtec.

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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 9, 2005. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors". 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.

Additional Information

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