

Armtec Infrastructure Income Fund



Second Quarter Report
Period Ended June 24, 2005



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For the Period Ended June 24, 2005

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To Our Unitholders:

We are pleased to report to you on Armtec's performance in the second quarter of fiscal 2005. Armtec maintained the momentum established in the first quarter and delivered solid growth. With our leading market share and quality products, we continue to win business from increased infrastructure spending. Infrastructure is a growing market and provincial budgets in Armtec's key markets announced earlier this year recognized growing public concern by allocating higher spending for Canada's deteriorating roads. In addition, our diverse base of products across economic sectors allows us to capitalize on opportunities across the country, which also contributed to higher revenue this quarter.

Highlights of the Second Quarter:

- Armtec posted revenue of \$42.2 million, an increase of 11.2% compared to the 2004 second quarter results, driven by continued strong demand.
- Gross margin also improved, rising 14.6% to \$12.6 million.
- EBITDA grew 20.6% in the quarter to \$6.6 million, due primarily to the growth in revenue at better margins.
- Provincial and municipal infrastructure spending continues to drive sales across the country.

Our outlook for the remainder of 2005 is positive. The provincial budgets in our major markets all called for increased infrastructure spending. Armtec is the single largest supplier of plastic and steel drainage pipe in the country, so we are well positioned to win a significant portion of the new projects. In addition, we are still experiencing growth in our other markets of agriculture, natural resources and residential drainage. Armtec anticipates continued international demand from Russia and the Caribbean and continues to make progress in its efforts to penetrate new markets such as South Korea.

We are working hard to take advantage of the growth in demand to create value for unitholders, and look forward to updating you on our progress at the end of the third quarter.

Sincerely,

Robert J. Wright
Chairman of the Board of Trustees
July 27, 2005

Charles M. Phillips
President and Chief Executive Officer
July 27, 2005

Armtec Infrastructure Income Fund
Management's Discussion and Analysis
July 27, 2005

The following Management's Discussion and Analysis ("MD&A") for the second quarter and six months ended June 24, 2005 is a review of the financial condition and results of operations of Armtec Infrastructure Income Fund (the "Fund"). It should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes contained in this quarterly report as well as the annual MD&A, consolidated financial statements and accompanying notes for the period ended December 31, 2004 and other public disclosure documents of the Fund. The financial information contained herein has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Unless indicated otherwise, all dollar amounts are expressed in thousands of Canadian dollars.

We have provided certain supplemental unaudited financial information for the period ended June 25, 2004, as management believes this will assist the reader in understanding the operating results for the underlying business. The period end information presented includes the consolidated financial information of Armtec Holdings Limited ("AHL") and subsidiaries prior to the acquisition of Armtec Holdings Limited by the Fund on July 27, 2004. Readers are cautioned that the operating results presented are not the results of the Fund for the period ended June 25, 2004 and have been presented only to provide the reader with additional information to enhance the comparability of the Fund's operating results.

OVERVIEW OF THE FUND

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

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

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

Operating Results for the Three Months Ended

	The Fund June 24, 2005 (unaudited)	Armtec Holdings Limited ^{1,3} June 25, 2004 (unaudited)
Revenue	\$ 42,236	\$ 37,968
Cost of sales	29,646	26,986
Gross Margin	12,590	10,982
As a % of revenue	29.8%	28.9%
Selling, distribution, general and administrative expenses	7,467	6,730
Interest and financing expenses	600	297
Net earnings before taxes	\$ 4,523	\$ 3,955
Other Data:		
EBITDA ²	\$ 6,597	\$ 5,471
As a % of Revenue	15.6%	14.4%

¹ The operating results for the period ended June 25, 2004 consist of the consolidated operating results of Armtec Holdings Limited prior to the acquisition by the Fund on July 27, 2004, and are not the results of the Fund.

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

³ Prior period results have been reclassified and restated to conform to the current presentation of financial information. Prior period revenues and earnings were restated to adjust for shipments in transit at period end to conform with the treatment of similar shipments in the current period.

Revenue

Revenues increased by \$4.2 million or 11.2% to \$42.2 million for the three months ended June 24, 2005 compared to revenues of \$38.0 million for the three months ended June 25, 2004. The improvement can primarily be attributed to revenue increases in the Company's corrugated steel and high-density polyethylene pipe products ("Pipe") and water control gates used in the Fund's infrastructure, agricultural and residential drainage markets. Strength in the Company's infrastructure markets is reflective of government agencies addressing infrastructure requirements across many regions in the country as confirmed by the recent 2005 budget announcements. Increased demand for water control gates from both domestic and U.S. agricultural markets also contributed to the second quarter results. While natural resource markets continue to exhibit growth in western Canada, overall revenue growth in the second quarter was countered by softer forestry and mining markets in central and eastern Canada.

Pipe sales accounted for \$29.7 million in revenue for the second quarter of 2005, an increase of \$3.3 million or 12.6% from the \$26.4 million recorded in 2004. Strength in the Company's infrastructure and agricultural markets contributed to the increase in the period.

Engineered products accounted for \$3.2 million in revenue for 2005, a decrease of \$0.2 million or 4.3% from the \$3.4 million recorded in 2004. Demand for Bridge-Plate™ and Multi-Plate® continued to increase in the three months ended June 24, 2005 as a result of increased demand. However, the timing of orders and shipments in the second quarter resulted in a decrease in recognized revenue when compared to the second quarter in 2004. Order levels for these products continue to improve on 2004 levels.

Other products accounted for revenues of \$9.3 million, an increase of \$1.1 million or 13.1% from the \$8.2 million recorded in 2004. This increase is primarily due to improved sales of the Fund's water control gates, a product line that continues to experience positive demand across Canada and the United States.

Gross Margin

Gross margin for the three months ended June 24, 2005 was \$12.6 million, an improvement of \$1.6 million or 14.6% over the \$11.0 million of gross margin for the three months ended June 25, 2004. The margin improvement can be attributed to the increased demand in Armtec's pipe and water control gates.

On a percentage basis, the gross margin improved to 29.8% of revenue in the second quarter of 2005 from 28.9% for the comparable period in 2004.

Selling, Distribution, General and Administrative Expenses

Selling, distribution, general and administrative expenses for the three months ended June 24, 2005 were \$7.5 million, an increase of \$0.8 million over the \$6.7 million incurred during the second quarter of 2004.

During the quarter, the Fund incurred an additional \$0.7 million in administration and amortization costs related to the Fund operating as a public income trust since July 2004. Selling and marketing expenses contributed an additional \$0.4 million in expenses in the second quarter of 2005 as compared to the same period in 2004, largely due to additional salaries and increased marketing efforts. The increase in salaries and benefits was primarily due to expanded selling activities in Atlantic Canada and the western provinces in the latter half of 2004. Delivery and distribution expenses increased by \$0.2 million in the second quarter of 2005 as a result of the related revenue growth in the period and additional distribution facilities. Partially offsetting the increase in selling, distribution, general and administrative expenses was the elimination of a number of non-recurring expenses incurred in the prior year.

Interest and Financing Expenses

During the three months ended June 24, 2005, interest incurred on borrowings amounted to \$0.5 million and an unrealized loss of \$0.1 million on the interest rate swap was recognized. During the same period in 2004, interest expense amounted to \$0.6 million and an unrealized gain of \$0.3 million on the interest rate swap was recognized. Interest incurred on borrowings decreased by \$0.1 million due to lower effective interest rates during the quarter as well as lower average borrowing levels.

Income Taxes

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

EBITDA (See Non-GAAP Measures)

EBITDA for the three months ended June 24, 2005 was \$6.6 million compared to \$5.5 million in the three months ended June 25, 2004. The increase in EBITDA was due primarily to the growth in revenue at better margins and was partially offset by the increase in administrative costs associated with changes in the Company's structure and operations.

Operating Results for the Six Months Ended

	The Fund June 24, 2005 (unaudited)	Armtec Holdings Limited ^{1,3} June 25, 2004 (unaudited)
Revenue	\$ 60,202	\$ 51,586
Cost of sales	44,332	38,553
Gross Margin	15,870	13,033
As a % of revenue	26.4%	25.3%
Selling, distribution, general and administrative expenses	13,804	11,738
Interest and financing expenses	895	932
Net earnings before taxes	\$ 1,171	\$ 363
Other Data:		
EBITDA ²	\$ 5,021	\$ 4,110
As a % of Revenue	8.3%	8.0%

¹ The operating results for the period ended June 25, 2004 consist of the consolidated operating results of Armtec Holdings Limited prior to the acquisition by the Fund on July 27, 2004, and are not the results of the Fund.

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

³ Prior period results have been reclassified and restated to conform to the current presentation of financial information. Prior period revenues and earnings were restated to adjust for shipments in transit at period end to conform with the treatment of similar shipments in the current period.

Year-to-date Revenue

Revenues increased by \$8.6 million or 16.7% to \$60.2 million for the six months ended June 24, 2005 compared to revenues of \$51.6 million for the six months ended June 25, 2004. The increased revenue was distributed across all product lines and was primarily seen in the Fund's infrastructure and agricultural markets with more modest increases in natural resources and residential drainage revenues. Strength in the Company's infrastructure markets is reflective of government agencies addressing infrastructure requirements across many regions in the country as confirmed by the recent 2005 budget announcements. Increased demand for water control gates for irrigation and water treatment applications from both domestic and U.S. agricultural markets also contributed to the positive results for the six month period. The natural resource markets improved upon 2004 levels due to continued growth in western Canada. The residential drainage market remained strong in the first six months of 2005 and increased efforts with resellers have translated into higher revenues.

Pipe sales accounted for \$39.4 million in revenue for the first six months of 2005, an increase of \$6.0 million or 17.8% from the \$33.4 million recorded in 2004. Improvements in pipe revenues were distributed across all product lines.

Engineered products accounted for \$5.6 million in revenue for 2005, an increase of \$0.6 million or 13.1% from the \$5.0 million in 2004. Bridge-Plate™ and Multi-Plate® sales increased in the six months ended June 24, 2005 as a result of increased demand both domestically and internationally.

Other products accounted for revenues of \$15.2 million, an increase of \$2.0 million or 15.3% from the \$13.2 million recorded in 2004. This increase is primarily due to improved sales of the Fund's water control gates, a product line that continues to experience positive demand across Canada and the United States.

Year-to-date Gross Margin

Gross margin for the six months ended June 24, 2005 was \$15.9 million, an improvement of \$2.9 million or 21.8% over the \$13.0 million of gross margin for the six months ended June 25, 2004. The margin improvement can be attributed to the increased demand for Armtec's products.

On a percentage basis, the gross margin improved to 26.4% of revenue for the first six months of 2005 from 25.3% for the comparable period in 2004.

Year-to-date Selling, Distribution, General and Administrative Expenses

Selling, distribution, general and administrative expenses for the six months ended June 24, 2005 were \$13.8 million, an increase of \$2.1 million over the \$11.7 million incurred during 2004.

During the six months ended June 24, 2005, the Fund incurred an additional \$1.2 million in administration and amortization costs related to the Fund operating as a public income trust since July 2004. Increases in salaries and benefits resulted in an additional \$0.6 million in expenses primarily due to expanded selling activities in Atlantic Canada and the western provinces in the latter half of 2004. Delivery and distribution expenses increased by \$0.5 million in the first six months of 2005 as a result of the related revenue growth in the period and additional distribution facilities. Partially offsetting the increase in selling, distribution, general and administrative expenses was the elimination of a number of non-recurring expenses incurred in the prior year.

Year-to-date Interest and Financing Expenses

During the six months ended June 24, 2005, interest incurred on borrowings amounted to \$0.9 million. During the same period in 2004, interest expense amounted to \$1.1 million and an unrealized gain of \$0.2 million on the interest rate swap was recognized. Interest incurred on borrowings decreased by \$0.2 million due to lower effective interest rates during the quarter as well as lower average borrowing levels.

Year-to-date Income Taxes

As the Fund is a mutual fund trust for Canadian income tax purposes, income allocated to unitholders effectively reduced the Fund's current income tax to nil. The Fund generated a future income tax recovery of \$0.3 million due to the amortization of intangible assets and other timing differences.

Year-to-date EBITDA (See Non-GAAP Measures)

EBITDA for the six months ended June 24, 2005 was \$5.0 million compared to \$4.1 million in the six months ended June 25, 2004. The improvement in EBITDA was due primarily to the growth in revenues at better margins, was partially offset by the increase in administrative costs associated with changes in the Company's structure and operations.

Outlook

The provincial budgets that were announced earlier this year will increase infrastructure spending in most of the Company's major markets. The outlook for natural resources remains positive with international demand for Canadian commodities expected to continue along with strong investment activity in the mining, oil and gas industries, continuing a trend that began in early 2004. Demand for water control gates remains strong and it is expected that this will continue to increase revenues from other products.

The Company anticipates continued international demand from Russia and the Caribbean and continues to make progress in its efforts to penetrate new markets such as South Korea.

Overall 2005 annual margins are expected to improve slightly over 2004 margins. Price increases implemented in 2004 and early 2005 have been accepted in the marketplace. Steel prices have softened in 2005 and resin prices have stabilized. This expected increase in margins may be offset by lower margins on international sales due to the strength of the Canadian dollar and increased foreign competition. International revenues represented 8.6% of total revenues in the six months ended June 24, 2005.

DISTRIBUTIONS

The Fund makes regular monthly distributions to unitholders of record as of the last business day of each month. Distributions to unitholders are calculated and recorded when declared. Distributions declared for the six months ended June 24, 2005 are as follows:

<u>Period</u>	<u>Record date</u>	<u>Payment date</u>	<u>Per unit</u>	<u>Amount</u>
January 2005	January 31, 2005	February 15, 2005	\$ 0.10	\$ 901.50
February 2005	February 28, 2005	March 15, 2005	0.10	901.50
March 2005	March 31, 2005	April 15, 2005	0.10	901.50
April 2005	April 29, 2005	May 16, 2005	0.10	901.50
May 2005	May 31, 2005	June 15, 2005	0.11	991.65
June 2005	June 30, 2005	July 15, 2005	0.11	991.65
			<u>\$ 0.62</u>	<u>\$ 5,589.30</u>

On July 20, 2005, a \$0.11 per unit (for an aggregate of \$992) distribution in respect of July 2005 was declared. The record date of the distribution is July 29, 2005 with an ex-dividend trading date of July 27, 2005. This distribution will be paid on August 15, 2005.

DISTRIBUTABLE CASH (See Non-GAAP Measures)

Statement of Distributable Cash

(unaudited)

(expressed in thousands of Canadian Dollars except per unit amounts)

	Three months ended June 24, 2005	Six months ended June 24, 2005
Net earnings for the period	\$ 4,692	\$ 1,508
Depreciation and amortization	1,474	2,955
Interest and financing expenses	600	895
Future income taxes (recovery)	(169)	(337)
EBITDA¹	6,597	5,021
Interest and financing expenses	(600)	(895)
Purchase of capital assets	(333)	(750)
Distributable cash	\$ 5,664	\$ 3,376
Distributions declared	\$ 2,885	\$ 5,589
Net earnings per unit	\$ 0.5205	\$ 0.1673
Distributable cash per unit	\$ 0.6283	\$ 0.3745
Distributions declared per unit	\$ 0.3200	\$ 0.6200

¹ See Non-GAAP Measures

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

Net earnings for the period	\$ 4,692	\$ 1,508
Items not affecting cash		
Amortization of property, plant and equipment	925	1,849
Amortization of other assets	549	1,106
Future income taxes (recovery)	(169)	(337)
Loss on interest rate swap	102	42
Non-cash post-employment benefits accrued	62	128
	6,161	4,296
Net increase in non-cash working capital	(8,711)	(13,019)
Cash used in operating activities	<u>\$ (2,550)</u>	<u>\$ (8,723)</u>

The Fund generated \$5.7 million in distributable cash during the second quarter and declared distributions totalling \$2.9 million. During the six months ended June 24, 2005, the Fund generated \$3.4 million in distributable cash, with distributions totalling \$5.6 million declared during the period. The distributions were financed from seasonal borrowings under the Fund's revolving credit facility. Armtec's business is subject to seasonality, with sales ramping up as spring arrives and generally reaching peak levels in the summer months. Consequently, the results of the second quarter or the six month 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 July 27, 2005, there are 9,015,000 units issued and outstanding. There has been no change to Fund units during the period from January 1, 2005 to June 24, 2005.

SUMMARY OF QUARTERLY RESULTS

For the three months ended

(Unaudited)

(expressed in thousands of Canadian Dollars except per unit amounts)

	June 24, 2005	Mar 25, 2005	Dec 31, 2004	Sept 24, 2004	June 25, 2004	Mar 26, 2004	Dec 31, 2003	Sept 26, 2003
Revenue	\$ 42,236	\$ 17,966	\$ 42,182	\$ 49,677	\$ 37,968	\$ 13,618	\$ 29,645	\$ 43,498
Net earnings (loss)	\$ 4,692	\$ (3,184)	\$ 2,232	\$ 3,151	\$ 2,182	\$ (2,297)	\$ 423	\$ 2,890
Net earnings (loss) per unit	\$ 0.52	\$ (0.35)	\$ 0.25	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A

The Company's business is seasonal, with sales ramping up as spring arrives and generally reaching peak levels in the summer months.

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

Prior period figures have been reclassified and restated to conform with current presentation of financial information.

CASH FLOW AND LIQUIDITY

As at June 24, 2005 the Fund's cash and cash equivalents amounted to approximately \$11 thousand. Declared but unpaid distributions were \$1.0 million. The Fund had working capital of \$32.2 million, an increase of \$13.6 million from December 31, 2004, primarily due to an increase in accounts receivable and inventories and partially offset by an increase in accounts payable. The increase in working capital is consistent with seasonal trends.

The Fund's revolving credit facility is available to allow for expected working capital investments in preparation for the Company's peak season. At June 24, 2005, \$15.3 million was outstanding on the \$25.0 million revolving credit facility.

Cash Flow from Operations

For the period between March 26, 2005 and June 24, 2005, \$6.2 million of cash flow was generated before changes in non-cash working capital. The non-cash component of working capital increased as a result of seasonal requirements. Working capital regularly increases in the second quarter as the Company progresses towards its peak season and inventory and accounts receivable levels rise accordingly. The combination of cash generated from operations and increases in non-cash working capital used \$2.6 million of cash in the period between March 26, 2005 to June 24, 2005.

For the six months ended June 24, 2005, \$4.3 million of cash flow was generated before changes in non-cash working capital. The combination of cash generated from operations and increases in non-cash working capital used \$8.7 million during the six month period. The additional cash usage during the six-month period is a result of the expected losses sustained during the first quarter due to the seasonal nature of the business.

Investing Activities

Capital expenditures for the period between March 26, 2005 and June 24, 2005 totalled \$0.3 million, all of which were related to maintenance capital expenditures. Maintenance capital expenditures during the six months ended June 24, 2005 amounted to \$0.8 million.

Financing Activities

During the three months ended June 24, 2005, the Fund made net borrowings under its revolving credit facility of \$5.7 million. Borrowings under the revolving credit facility are necessary due to the seasonal nature of the business, the ongoing operating cash requirements and regular monthly distributions during slower quarters. The Fund expects to repay any seasonal borrowings by the end of the 2005 fiscal year. Total borrowings under the revolving credit facility for the six months ended June 24, 2005 amounted to \$15.3 million.

Distributions paid to unitholders amounted to \$2.8 million during the period between March 26, 2005 and June 24, 2005. A further \$1.0 million was declared and payable at the end of the period. For the six months ended June 24, 2005, distributions paid to unitholders amounted to \$8.7 million. The distributions paid during the six month period included \$4.1 million declared and unpaid distributions at December 31, 2004. The 2005 distributions were funded with available cash and through borrowings under the revolving credit facility. The Fund intends to continue making equal monthly cash distributions of its net cash receipts. Currently, the monthly distributions are set at \$0.11 per unit.

CAPITAL RESOURCES

At June 24, 2005, Armtec had credit facilities that provide a \$25.0 million term facility and a \$25.0 million revolving credit facility, both at variable interest rates. The interest rate on \$11.5 million of the term facility has been fixed through a swap agreement, resulting in an effective interest rate, before bank issuance costs, of 3.8%. Armtec is in compliance with all covenants. At June 24, 2005, all \$25.0 million has been advanced on the term facility and is outstanding while \$15.3 million is outstanding on the revolving credit facility. There are no mandatory principal repayments on the term and revolving facilities prior to maturity in July 2007. Due to the seasonality of the business, the revolving credit facility is available to support seasonal cash requirements for working capital and distributions.

Cash and cash equivalents at June 24, 2005 amounted to approximately \$11 thousand.

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

Anticipated cash distributions to unitholders are not commitments at June 24, 2005, however the Fund is required to distribute an amount equal to or above its taxable income in order to eliminate the Fund's income tax liability.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Fund's off-balance sheet arrangements consist of operating leases and royalty licenses. Operating leases are for facilities and vehicles with market terms and do not have associated escalating rent or make-good provisions that materially impact the financial statements. The Fund's royalty licenses require payments at certain predetermined levels based on the profitability of certain products. Royalty obligations are accrued when the associated profit is recognized. At June 24, 2005, the amount of royalty payments owing was \$0.1 million. For the period between January 1, 2005 and June 24, 2005, royalty expense amounted to \$0.2 million.

Armtec also has various operating leases, loans and purchase commitments to finance certain assets of the business. The amounts of estimated future payments are disclosed in the annual MD&A for the period ended December 31, 2004 and have not materially changed during the six months ended June 24, 2005.

NON-GAAP MEASURES

References to "EBITDA" are to earnings before interest, taxes (other than capital taxes), depreciation and amortization. Management believes that in addition to net earnings, 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 determined in accordance with GAAP as an indicator of the Fund's performance or as an alternative to cash flows from operating, investing and financing activities as a measure of the Fund's liquidity and cash flows. The Fund's method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, the Fund's EBITDA may not be comparable to similarly titled measures used by other issuers.

EBITDA

	Three months ended		Six months ended	
	The Fund June 24, 2005 (unaudited)	Armtec Holdings Limited June 25, 2004 ^{1,2} (unaudited)	The Fund June 24, 2005 (unaudited)	Armtec Holdings Limited June 25, 2004 ^{1,2} (unaudited)
Net earnings before taxes	\$ 4,523	\$ 3,955	\$ 1,171	\$ 363
Depreciation and amortization	1,474	1,219	2,955	2,815
Interest and financing expenses	600	297	895	932
EBITDA	\$ 6,597	\$ 5,471	\$ 5,021	4,110

¹ The operating results for the period ended June 25, 2004 consist of the consolidated operating results of Armtec Holdings Limited prior to the acquisition by the Fund on July 27, 2004, and are not the results of the Fund.

² Prior period results have been reclassified and restated to conform to the current presentation of financial information. Prior period earnings were restated to adjust for shipments in transit at period end to conform with the treatment of similar shipments in the current period.

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

CRITICAL ACCOUNTING ESTIMATES

The Fund’s discussion and analysis of its financial condition and results of operations, including the discussion on liquidity and capital resources, is based upon the Fund’s interim consolidated financial statements, which have been prepared in accordance with Canadian GAAP. The preparation of these interim consolidated financial statements requires Armtec to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and judgements, particularly those related to the determination of the estimated recoverable amount of accounts receivable, inventory, goodwill and intangible assets, and post-employment benefit liabilities. Armtec bases its estimates on historical experience and on various other assumptions, which are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. For a detailed discussion of the more significant judgements and estimates used in the preparation of the Fund’s interim consolidated financial statements, refer to the Fund’s annual MD&A. There are no material updates to these estimates based on events from January 1, 2005 to July 27, 2005.

FINANCIAL INSTRUMENTS

The Fund entered into an interest rate swap agreement on September 3, 2004 for \$11.5 million of its \$25.0 million term loan facility, resulting in an effective interest rate before bank issuance costs of 3.8%. The Fund entered into the swap to mitigate its exposure to variable interest rates but is exposed to fluctuations in the market value of the swap itself. During the period between January 1, 2005 to June 24, 2005, the mark-to-market value of the swap remained consistent with the value recorded at December 31, 2004. Therefore, there has been minimal effect on interest and financing expenses during the period between January 1, 2005 to June 24, 2005. The mark-to-market value of the swap is obtained from an independent valuator using appropriate market assumptions.

ACCOUNTING POLICY CHANGES

There have been no changes in accounting policy for the period from January 1, 2005 to June 24, 2005, nor are there changes pending or proposed.

RISKS AND UNCERTAINTIES

The Fund is subject to certain risks and uncertainties that could have a material adverse effect on Armtec's results of operations, business prospects, financial condition, cash distributions to unitholders and the trading price of the Fund's units. A comprehensive discussion of these risks can be found in our Annual Information Form, which is available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com. There have been no material changes to Armtec's business from January 1, 2005 to July 27, 2005 that require an update to the discussion of the applicable risks.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements contain such words as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of July 27, 2005. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward-looking statements contained in this report are based upon what management of Armtec believes are reasonable assumptions, the Fund can not assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A and the Fund assumes no obligation to update or revise them to reflect new events or circumstances.

ADDITIONAL INFORMATION

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

Unaudited Interim Consolidated Financial Statements

Armtec Infrastructure Income Fund

June 24, 2005

Armtec Infrastructure Income Fund

INTERIM CONSOLIDATED BALANCE SHEET

(expressed in thousands of Canadian dollars)

	June 24, 2005 (unaudited)	December 31, 2004
Assets		
Current assets		
Cash and cash equivalents	\$ 11	\$ 2,873
Accounts receivable	27,658	17,586
Inventories	23,519	16,175
Prepaid expenses and other assets	1,086	1,144
Future income tax assets	174	174
	52,448	37,952
Property, plant and equipment	32,974	34,073
Notes receivable	31	344
Goodwill	34,021	34,021
Other intangible assets	40,955	42,061
	\$ 160,429	\$ 148,451
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 19,286	\$ 15,368
Distributions payable (note 3)	992	4,057
	20,278	19,425
Long-term debt (note 2)	40,292	25,000
Post-employment obligations	6,401	6,273
Deferred swap loss payable	213	171
Future income tax liabilities	16,662	16,891
	83,846	67,760
Unitholders' equity		
Capital contributions	82,248	82,275
Cumulative earnings	7,704	6,196
Cumulative distributions (note 3)	(13,369)	(7,780)
	76,583	80,691
	\$ 160,429	\$ 148,451

Basis of presentation (note 1)

Subsequent events (note 8)

Signed on behalf of the Trustees:

/s/ Robert J. Wright

Robert J. Wright
Chairman

/s/ Brian W. Jamieson

Brian W. Jamieson
Trustee

Armtec Infrastructure Income Fund

INTERIM CONSOLIDATED STATEMENT OF EARNINGS

(unaudited)

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

	Three months ended June 24, 2005	Six months ended June 24, 2005
Revenue	\$ 42,236	\$ 60,202
Cost of sales	29,646	44,332
Gross margin	12,590	15,870
Selling, distribution, general, administrative and other expenses	7,467	13,804
Earnings from operations	5,123	2,066
Interest and financing expenses (note 2)	600	895
Earnings before taxes	4,523	1,171
Future income taxes (recovery)	(169)	(337)
Net earnings for the period	\$ 4,692	\$ 1,508
Basic and diluted earnings per unit	\$ 0.52	\$ 0.17
Basic and diluted weighted average number of units outstanding	9,015,000	9,015,000

Armtec Infrastructure Income Fund

INTERIM CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

For the six months ended June 24, 2005

(unaudited)

(expressed in thousands of Canadian dollars)

	Unitholders' Capital	Cumulative Earnings	Cumulative Distributions	Total
Balance, December 31, 2004	\$ 82,275	\$ 6,196	\$ (7,780)	\$ 80,691
Issuance costs	(27)	-	-	(27)
Net earnings for the period	-	1,508	-	1,508
Distributions (Note 3)	-	-	(5,589)	(5,589)
Balance, June 24, 2005	\$ 82,248	\$ 7,704	\$ (13,369)	\$ 76,583

Armtec Infrastructure Income Fund

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)
(expressed in thousands of Canadian dollars)

	Three months ended June 24, 2005	Six months ended June 24, 2005
Cash provided by (used in)		
Operating activities		
Net earnings for the period	\$ 4,692	\$ 1,508
Items not affecting cash		
Amortization of property, plant and equipment	925	1,849
Amortization of other intangible assets	549	1,106
Future income taxes (recovery)	(169)	(337)
Loss on interest rate swap	102	42
Non-cash post-employment benefits accrued	62	128
	6,161	4,296
Net increase in non-cash working capital (note 5)	(8,711)	(13,019)
Cash used in operating activities	(2,550)	(8,723)
Investing activities		
Purchase of property, plant and equipment	(333)	(750)
Cash used in investing activities	(333)	(750)
Financing activities		
Net bank borrowings	5,658	15,292
Payment of expenses related to initial public offering	-	(27)
Distributions to unitholders	(2,794)	(8,654)
Cash provided by financing activities	2,864	6,611
Net decrease in cash and cash equivalents	(19)	(2,862)
Cash and cash equivalents - Beginning of period	30	2,873
Cash and cash equivalents - End of period	\$ 11	\$ 11
Supplemental cash flow information		
Interest paid	\$ 216	\$ 543
Income taxes paid	\$ -	\$ -

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

Note 1. Basis of Presentation

Armtec Infrastructure Income Fund (the “Fund”) is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario. The Fund was established to hold directly and indirectly, securities and assets of Armtec Limited Partnership (“Armtec”). As the Fund commenced active operations on July 27, 2004, no comparative information is provided for the consolidated statements of earnings and cash flows for the three and six months ended June 24, 2005.

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

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

Note 2. Long-Term Indebtedness

	June 24, 2005
Non-revolving term facility	\$ 25,000
Revolving credit facility	15,292
	<u>\$ 40,292</u>

On July 27, 2004, the Fund entered into a three-year syndicated credit agreement that provided the Fund with access to a \$25 million term facility and a revolving credit facility of up to \$25 million. The facilities each bear interest at rates that depend on certain financial ratios of the Fund and vary in accordance with borrowing rates in Canada and the United States. The credit facilities are secured by a first charge on the assets of the Fund and its subsidiaries, except for specified permitted encumbrances. The provisions under these facilities provide for restrictions on the operations and activities of the Fund. Generally, the most significant restrictions relate to permitted investments, distributions, as well as the incurrence and maintenance of certain financial ratios primarily linked to operating earnings before interest, taxes, depreciation and amortization. At June 24, 2005, the Fund was in compliance with these covenants. The entire credit facility is repayable in full on July 27, 2007, and while the revolving facility may fluctuate over the period, any repayments on the term facility cannot be re-borrowed. The average borrowings of long-term debt during the three and six months ended June 24, 2005 were \$38,307 and \$33,318 respectively.

In September 2004, the Fund entered into an \$11.5 million interest rate swap, effectively converting the floating rate on a portion of the Fund’s \$25 million term loan to a fixed interest rate obligation with an effective interest rate before bank issuance costs of 3.8%. The interest rate swap matures on July 27, 2007. Unrealized losses arising from fluctuations in the value of the interest rate swap are recorded as interest and financing expenses. A loss of \$102 was recorded in the three months ended June 24, 2005 and a loss of \$42 was recorded for the six months ended June 24, 2005.

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

The average effective interest rate after related fees during the three and six months ended June 24, 2005 was 5.21% and 5.34% respectively. This accounts for the effects of the interest rates on the term and revolving facilities, borrowing fees in addition to the interest rate swap but does not include any gains or losses in the period resulting from the revaluation of the interest rate swap.

Note 3. Distributions

The Fund makes regular monthly distributions to unitholders of record as of the last business day of each month. Distributions to unitholders are calculated and recorded when declared. Distributions for the period ended June 24, 2005 are as follows:

Period	Record date	Payment date	Per unit	Amount
January 2005	January 31, 2005	February 15, 2005	\$ 0.10	\$ 901.50
February 2005	February 28, 2005	March 15, 2005	0.10	901.50
March 2005	March 31, 2005	April 15, 2005	0.10	901.50
April 2005	April 29, 2005	May 16, 2005	0.10	901.50
May 2005	May 31, 2005	June 15, 2005	0.11	991.65
June 2005	June 30, 2005	July 15, 2005	0.11	991.65
			\$ 0.62	\$ 5,589.30

Note 4. Long-term incentive plan

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

An LTIP entitlement of \$271 was approved in 2004 with the unit acquisition completed in 2005. The associated expense will be recognized over a term consisting of the period of grant and the three-year vesting period using the graded amortization method. The expense and associated liability recognized in the three months ended June 24, 2005 was \$25 and \$50 for the six months ended June 24, 2005.

Note 5. Changes in Non-Cash Working Capital

	Three months ended June 24, 2005	Six months ended June 24, 2005
Cash provided by (used in)		
Accounts receivable	\$ (14,606)	\$ (10,072)
Inventories	(2,787)	(7,344)
Prepaid expenses and other assets	(164)	371
Accounts payable and accrued liabilities	8,759	3,918
Other	87	108
	\$ (8,711)	\$ (13,019)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

Note 6. Seasonal Nature of the Business

The Fund's results for the period ended June 24, 2005 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in revenue levels. Since almost all of the Fund's products require outdoor installation that are subject to weather conditions, the Fund historically experiences higher levels of revenue during the second and third quarters, while the first and fourth quarters experience lower revenue. Occupancy related expenses, general and administration costs, depreciation and amortization and interest expenses remain relatively steady throughout the year.

Note 7. Segmented Information

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

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

The Fund derives its revenue from a large base of customers across Canada and internationally. During the six month period ended June 24, 2005, no single customer accounted for greater than 10% of the total revenues for the period.

For the three months ended June 24, 2005

Revenues by product line are as follows:

	Pipe	ESP	Other	Total
Revenue	\$ 29,744	\$ 3,212	\$ 9,280	\$ 42,236

Domestic and export revenues are as follows:

	Canada	International	Total
Revenue	\$ 39,643	\$ 2,593	\$ 42,236

For the six months ended June 24, 2005

Revenues by product line are as follows:

	Pipe	ESP	Other	Total
Revenue	\$ 39,349	\$ 5,618	\$ 15,235	\$ 60,202

Domestic and export revenues are as follows:

	Canada	International	Total
Revenue	\$ 55,078	\$ 5,124	\$ 60,202

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

Note 8. Subsequent Events

On July 20, 2005, an \$0.11 per unit (for an aggregate of \$992) distribution in respect of July 2005 was declared. The record date of the distribution was July 29, 2005 with an ex-dividend trading date of July 27, 2005. This distribution will be paid on August 15, 2005.

Armtec Infrastructure Income Fund

Unitholder Information

Corporate Office

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

Transfer Agent and Registrar

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

Auditors

PricewaterhouseCoopers LLP
Mississauga, Ontario
Tel: 905 949-7400

Investor Relations

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

Toronto Stock Exchange Symbol

ARF.UN

Armtec Infrastructure Income Fund

15 Campbell Road, P.O. Box 3000

Guelph, Ontario N1H 6P2

519-822-0210

www.armtecincomefund.com
