

Armtec Infrastructure Income Fund



First Quarter Report
Period Ended March 31, 2006



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First Quarter Report

For the Three Months Ended March 31, 2006

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To Our Unitholders:

We are pleased to report to you on Armtec's performance in the first quarter of fiscal 2006. We have positioned ourselves well with recent investments to maximize our growth, especially in Western Canada, where public infrastructure and natural resources markets are strong.

Highlights:

- Armtec generated revenue of \$20.4 million from continued products, an increase of 8.7% after adjusting for the difference in the number of billing weeks and removing the effect of discontinued products.
- Gross margins increased during the quarter to 20.3% of revenue due to price improvements and productivity gains.
- The acquisition of the Construction Products Division of Twister Pipe Ltd. increases our manufacturing capabilities in southern Alberta to capitalize on the growing demand in that province.
- As almost all of our products require outdoor installation that depend on weather conditions, first quarter gross profits do not offset the selling distribution general and administrative expenses incurred in the period. The resulting EDITDA loss for the period was consistent with prior first quarter results.
- The Board of Trustees raised the monthly cash distributions for the second time in 2006, an increase of 8% to \$0.13 per unit, starting with the distribution for May 2006. The distribution increase was in response to the continued strong demand for Armtec's products and the expected positive results from our recent growth initiatives.

Subsequent to quarter-end, we announced a number of initiatives associated with our growth strategy. We are increasing our capacity to manufacture plastic pipe in Alberta with the purchase of a linear corrugator. We also expanded our product offering, purchasing a licence to sell concrete arch bridge technology for long-span bridges and becoming a national distributor for a leading U.S. supplier of storm water quality systems.

Our outlook for the remainder of 2006 is positive. The provincial budgets released earlier this year reinforced the growing government commitment to address Canada's infrastructure deficit, particularly in Western Canada. Alberta and British Columbia both increased infrastructure spending in their three-year capital plans by more than 30%. Ontario and Quebec made sizable commitments to infrastructure spending in 2005 and still added one-time commitments for additional projects in 2006.

We are making every effort to capitalize on the growth in demand to increase Armtec's sales and enhance unitholder value. We look forward to updating you on our progress again at the end of the next quarter.

Sincerely,

Robert J. Wright
Chairman of the Board of Trustees
May 3, 2006

Charles M. Phillips
President and Chief Executive Officer
May 3, 2006

**Armtec Infrastructure Income Fund
Management's Discussion and Analysis
May 3, 2006**

The following Management's Discussion and Analysis ("MD&A") for the first quarter ended March 31, 2006 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, 2005 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.

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" means the Fund together with its subsidiaries, Armtec Operating Trust, Armtec Holdings Limited, Armtec Limited Partnership Corp. and Armtec Limited Partnership.

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.

Selected Financial Highlights

Operating Results for the Three Months Ended (unaudited) (expressed in thousands of Canadian dollars)

	March 31, 2006	March 25, 2005 ²
Revenue	\$ 20,440	\$ 17,966
Cost of sales	16,299	14,686
Gross Margin	4,141	3,280
As a % of revenue	20.3%	18.3%
Selling, distribution, general and administrative expenses	7,449	6,338
Interest and financing expenses	471	294
Net loss before taxes	\$ (3,779)	\$ (3,352)
Interest and financing expenses	471	294
Depreciation and amortization	1,474	1,479
EBITDA¹	\$ (1,834)	\$ (1,579)
As a % of Revenue	(9.0%)	(8.8%)

¹ EBITDA is not a defined term under Canadian GAAP. For more information, refer to the Non-GAAP Measures section of this MD&A.

² Prior period results have been reclassified to conform to the current presentation of financial information.

Overview

As most of Armtec's products require outdoor installations that are subject to weather conditions, the Fund historically generates higher levels of revenue during the summer months in the second and third quarters, while the first and fourth quarters are characterized by lower levels of construction activity associated with the late fall and winter months. First quarter revenues historically account for between 9 and 12% of total annual revenues. Consequently, historical first quarter gross profits of the Company do not offset the selling, distribution, general and administrative expenses incurred during the period, which remain relatively steady throughout the year. Therefore, losses are to be expected during the first quarter. Additional expenses incurred to support the growth of the business are typically not recovered during the first quarter due to the seasonal nature of the revenue and these expenses will increase the expected loss. In addition, the Company uses cash in the first quarter by taking advantage of lighter shipping needs to build inventory levels and make productivity investments in its manufacturing facilities. The first quarter financial results of 2006 are consistent with this pattern and are in line with management's expectations.

The Fund has suitable debt facilities that provide the required flexibility to make these investments while still declaring monthly distributions to unitholders. The Fund remains comfortably in compliance with all of its banking covenants.

Revenue

Revenues increased by \$2.4 million or 13.8% to \$20.4 million for the three months ended March 31, 2006, compared to revenues of \$18.0 million for the three months ended March 25, 2005. While first quarter revenue comparisons can be challenging due to the lower level of activity, wherein revenues can be affected by weather conditions, the current period comparison was also affected by two significant factors. First, the Fund's accounting practice is to close the monthly accounting periods at the end of the last Friday of each month. As a result of this practice, the results for the three months ended March 31, 2006 include one additional week of operations compared to the results for the three months ended March 25, 2005. The average weekly sales for the month of March 2006 were \$2.1 million. In addition, revenues for the three months ended March 25, 2005 included \$1.1 million in DRICore product sales, a product line discontinued in April 2005. Using the average weekly sales to adjust for the difference in billing weeks and adjusting for the discontinued product line sales results in an estimated increase from continued products of 9% for the three months ended March 31, 2006.

The extra billing week impacted the revenues in each product line with the exception of engineered products, where a number of shipments during this period were still in transit at the end of the quarter. Demand in Western Canada increased during the period, based on the strength of the infrastructure and natural resource markets. First quarter results in the rest of Canada were largely consistent with the first quarter of 2005. In terms of market sectors, the net increase in revenues from the growth in infrastructure and natural resources markets was partially offset by decreases in residential drainage sales. The reduction in demand for residential drainage products was due to the termination of a contract to supply DRICore in April 2005.

Revenues from pipe sales increased by \$2.6 million or 27.5% to \$12.2 million in the three months ended March 31, 2006, from the \$9.6 million of pipe revenue reported during the three months ended March 25, 2005. Western Canada experienced most of this increase due to demand in infrastructure and natural resource markets in addition to the Twister acquisition which contributed \$0.7 million in revenues during the first quarter of 2006. Infrastructure requirements also contributed to higher revenues in Ontario during the first quarter. Natural resource sales improved primarily due to the strength of energy markets in Western Canada but were partially offset by lower sales to the forestry sector in Quebec.

Engineered product revenues decreased \$0.6 million or 27.0% to \$1.8 million in the first quarter of 2006 from the \$2.4 million earned in the comparable period in 2005. The reduction in revenues was due primarily to the timing of shipments and customer orders. Engineered products are normally associated with large projects and customer timing of these orders can have a pronounced impact on the interim results, particularly during the first quarter when volumes are reduced due to the seasonality of the business. At the end of the first quarter in 2006, approximately \$0.4 million in shipments was in transit to customer locations and was not recognized as revenue.

Other products accounted for revenues of \$6.4 million in the three months ended March 31, 2006, an increase of \$0.4 million or 8.0% from the \$6.0 million recorded in the comparable period in 2005. This increase was primarily due to improved sales of the Fund's water control gates in Ontario for infrastructure related projects and higher sales of geosynthetic products in Western Canada for infrastructure and natural resource applications. These higher revenues were partially offset by the termination of the DRICore supply contract in April 2005.

Gross Margin

Gross margin for the three months ended March 31, 2006 was \$4.1 million, an improvement of \$0.8 million or 26.3% over the \$3.3 million of gross margin for the three months ended March 25, 2005, primarily due to the extra billing week. On a percentage basis, the gross margin improved to 20.3% of revenue in the first quarter of 2006, from 18.3% for the comparable period in 2005. The principal factors affecting the percentage increase were pricing improvements resulting from Armtec's price leadership strategy, robust demand and improved productivity in manufacturing processes. These factors were partially offset by an unfavourable change in sales mix during the three months ended March 31, 2006, due to the lower engineered product sales during the period.

Selling, Distribution, General and Administrative Expenses

Selling, distribution, general and administrative expenses for the three months ended March 31, 2006 were \$7.4 million, an increase of \$1.1 million over the \$6.3 million incurred during the three months ended March 25, 2005. Excluding the variance in freight costs, which vary with sales levels, the increase was \$0.8 million, which generally reflects recent operating conditions of the Fund. Of the \$0.8 million increase, additional salaries and benefits expenses accounted for \$0.3 million and were primarily due to additional employee costs in Western Canada as a result of higher activity levels, and the new employees added from the acquisition of Twister. The amortization of the intangible assets acquired from Twister accounted for an additional \$0.1 million in expenses during the first quarter of 2005. The remaining \$0.4 million in additional expenses include investments in employee training, additional property and utility costs, and other public company costs.

Excluding freight costs, expenses for the first quarter of 2006 reflect a 3% increase over the average level of expenses incurred during the final two quarters of 2005. This 3% increase was largely attributed to the acquisition of the Construction Products Division of Twister Pipe Ltd. ("Twister") in February 2006.

Interest and Financing Expenses

During the three months ended March 31, 2006, interest incurred on borrowings amounted to \$0.5 million and a marginal unrealized gain was recognized on the interest rate swap. During the three months ended March 25, 2005, interest on borrowings amounted to \$0.4 million, partially offset by an unrealized gain of \$0.1 million for the quarter. Interest incurred on borrowings increased by \$0.1 million, primarily due to higher average borrowing levels. Borrowing levels increased by \$7.7 million to finance the acquisition of Twister in February 2006.

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 March 31, 2006 was a loss of \$1.8 million, compared to a loss of \$1.6 million in the three months ended March 25, 2005. The change in EBITDA was due primarily to the increase in selling, distribution, general and administrative costs, which was partially offset by the growth in revenues at improved margins.

Outlook

The 2006 provincial budgets released earlier this year highlighted the growing government commitment to address Canada's infrastructure deficit. In Western Canada, expanding communities in Alberta and the upcoming Olympic Games and other needs in British Columbia resulted in double-digit growth in infrastructure spending in the three-year capital plan for both provinces. The acquisition of the Construction Products Division of Twister Pipe Ltd. provides manufacturing capabilities in southern Alberta to capitalize on this demand. Ontario and Quebec both made sizable commitments to infrastructure spending in 2005 and made one-time commitments for additional projects in 2006. As a result, it is expected that public infrastructure will continue to provide a source of growth during 2006.

Natural resource markets are expected to be stable. Investment activity in energy and mining projects was very strong in 2005 and growth from these levels is challenging due to the labour markets in Western Canada. Agricultural markets were softer in 2005 due to a combination of lower crop prices, poor installation conditions and a rapid rise in resin costs. Resin prices and supply have stabilized, however market demand will still depend upon favourable weather conditions during installation seasons and a

favourable agricultural economy. The Fund's demand from residential markets is expected to be consistent with prior periods.

Recently announced growth initiatives should have a positive effect on revenues during 2006. Armtec purchased a linear corrugator to provide manufacturing capability for high-density polyethylene (HDPE) pipe in Alberta. Added capabilities to service this growing market should generate greater opportunities in the region. Also, two new products lines will now be sold in Canada: BEBO concrete arch bridges and CONTECH Stormwater Solutions[®]. Both product lines are complementary to Armtec's current product offering and customers will now have access to a broader range of solutions that should generate additional revenues with minimal capital outlay.

The Fund expects ongoing maintenance capital expenditures for 2006 to be approximately \$1.5 million, which is consistent with historical levels. In addition to these expenditures, the Fund will continue to implement a new Enterprise Resource Planning system, which began in October 2005. Estimated expenditures for this project amount to \$1.3 million, of which approximately \$0.5 million was expended in 2005. It is anticipated that the remainder of this commitment will largely be expended throughout 2006 as the implementation progresses. The Fund also announced the intention to increase its capacity to manufacture corrugated high-density polyethylene (HDPE) pipe with the purchase of a linear corrugator for the Lethbridge facility in Alberta as well as a license to sell concrete arch bridges in Canada. Total expenditures are anticipated to be approximately \$2.2 million, with approximately half of these costs incurred in the second quarter of 2006.

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 three months ended March 31, 2006 are as follows:

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

Period	Record date	Payment date	Per unit	Amount
January 2006	January 31, 2006	February 15, 2006	\$ 0.11	\$ 991.65
February 2006	February 28, 2006	March 15, 2006	0.12	1,081.80
March 2006	March 31, 2006	April 13, 2006	0.12	1,081.80
			\$ 0.35	\$ 3,155.25

On April 17, 2006, a \$0.12 per unit (for an aggregate of \$1,081.80) distribution in respect of April 2006 was declared. The record date of the distribution was April 28, 2006 with an ex-dividend trading date of April 26, 2006. This distribution will be paid on May 15, 2006.

On May 3, 2006, the Trustees announced an increase in monthly distributions of 8% to \$0.13 per unit, beginning with the May 2006 distribution to be paid in June 2006.

DISTRIBUTABLE CASH (See Non-GAAP Measures)

For the Three Months Ended

(unaudited)

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

	March 31, 2006	March 25, 2005 ²
Net loss for the period	\$ (3,619)	\$ (3,184)
Amortization of property, plant and equipment	866	924
Amortization of intangible assets	608	555
Interest and financing expenses	471	294
Future income tax recovery	(160)	(168)
EBITDA¹	(1,834)	(1,579)
Interest and financing expenses	(471)	(294)
Purchase of property, plant and equipment	(301)	(417)
Distributable cash	\$ (2,606)	\$ (2,290)
Distributions declared	\$ 3,155	\$ 2,705
Net loss per unit	\$ (0.401)	\$ (0.353)
Distributable cash per unit	\$ (0.289)	\$ (0.254)
Distributions declared per unit	\$ 0.350	\$ 0.300

1 See Non-GAAP Measures

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

The table below reconciles distributable cash to cash flow from operations:

Distributable cash	\$ (2,606)	\$ (2,290)
Items not affecting cash		
Gain on interest rate swap	(20)	(60)
Non-cash post-employment benefits accrued	71	66
Items not affecting operating cash flow:		
Purchase of property, plant and equipment	301	417
	\$ (2,254)	\$ (1,867)
Net increase in non-cash working capital	(464)	(4,306)
Cash used in operating activities	\$ (2,718)	\$ (6,173)

Consistent with the seasonal trends of the business, the Fund did not generate distributable cash during the first quarter of 2006 and 2005, however regular distributions totalling \$3.2 million were declared in the three months ended March 31, 2006, compared with \$2.7 million declared in the three months ended March 25, 2005. The distributions were financed from seasonal borrowings under the Fund's revolving credit facility.

Armtec's business is seasonal, with sales ramping up as spring arrives and generally reaching peak levels in the summer months. As such, losses in the first quarter are expected, with the Company historically generating positive net earnings as the second quarter unfolds. A revolving credit facility is available to allow regular distributions and working capital investments during slower quarters. Consequently, the results of the first quarter 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 May 3, 2006, there are 9,015,000 units issued and outstanding. There has been no change to Fund units during the period from January 1, 2006 to March 31, 2006.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended (Unaudited)

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

	Mar 31, 2006	Dec 31, 2005	Sept 30, 2005	June 24, 2005	Mar 25, 2005	Dec 31, 2004	Sept 24, 2004	June 25, 2004
Revenue	\$ 20,440	\$ 35,765	\$ 58,937	\$ 42,236	\$ 17,966	\$ 41,569	\$ 50,290	\$ 37,968
Net earnings (loss)	\$ (3,619)	\$ 1,570	\$ 9,165	\$ 4,692	\$ (3,184)	\$ 1,885	\$ 3,498	\$ 2,182
Net earnings (loss) per unit	\$ (0.40)	\$ 0.17	\$ 1.02	\$ 0.52	\$ (0.35)	\$ 0.21	\$ N/A	\$ N/A

Armtec's business is seasonal, with sales ramping up as spring arrives and generally reaching peak levels in the summer months. As such, losses in the first quarter are expected, with the Company historically generating positive net earnings as the second quarter unfolds. 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 for the period June 26, 2004 to July 26, 2004. All results prior to the quarter ended September 24, 2004 are the unaudited historical results of Armtec Holdings Limited and are not results of the Fund.

CASH FLOW AND LIQUIDITY

As at March 31, 2006, the Fund's cash and cash equivalents amounted to \$16 thousand as compared to \$30 thousand at March 25, 2005.

Declared but unpaid distributions at March 31, 2006 were \$1.1 million as compared to \$0.9 million at March 25, 2005.

The Fund had working capital of \$24.6 million at March 31, 2006, an increase of \$1.4 million compared with the working capital of \$23.2 million at March 25, 2005, which is sufficient to meet short-term obligations.

Cash Flow from Operations

For the three months ended March 31, 2006, \$2.3 million of cash flow was used before changes in non-cash working capital compared to \$1.9 million used in the comparable period in 2005. The increase in cash used during the period is due to the increased loss in the first quarter.

Increases in working capital in the first quarter of 2006 required a use of \$0.5 million in cash from operations as compared to a usage of \$4.3 million in the first quarter of 2005, a reduction in net cash use of \$3.8 million. Historically, the increase in the non-cash component of working capital during the first quarter is necessary

due to the seasonal demands of the business. Armtec will normally build inventory levels during the slower winter months in order to prepare for the increased demand during the summer months. This period is characterized by the collection of receivables when sales are slower and also a decrease in payables.

The net reduction of \$3.8 million in cash use was primarily attributed to less cash used to build inventory in the period of \$0.7 million, increases in cash flow from accounts receivable collections of \$1.0 million and a net increase in cash flow due to increases in payables of \$2.3 million.

The combination of cash flow from operations and increases in non-cash working capital used \$2.7 million of cash in the three months ended March 31, 2006, and \$6.2 million in the comparable period in 2005.

Investing Activities

Capital expenditures for the three months ended March 31, 2006 totalled \$0.3 million, compared to \$0.4 million in the three months ended March 25, 2005. Of the capital expenditures in 2006, \$0.1 million related to the implementation of the new ERP system.

On February 1, 2006, the Fund acquired the assets of the Construction Products Division of Twister Pipe Ltd. for approximately \$7.7 million, subject to working capital adjustments and excluding transaction costs. Transaction costs amounted to \$0.2 million and the working capital adjustment resulted in a refund of \$0.4 million for a net investment of \$7.5 million.

Financing Activities

Distributions paid to unitholders amounted to \$5.0 million during the three months ended March 31, 2006, including \$3.0 million that was declared and payable in respect of 2005, and paid in January 2006. A further \$1.1 million was declared and payable at March 31, 2006 and paid in April 2006. During the three months ended March 25, 2005, the Fund distributed \$5.9 million to unitholders. The decrease in distributions paid during the first quarter of 2006 is the result of the lower special distribution of \$0.22 per unit declared in 2005 and paid in 2006 when compared to the \$0.35 per unit special distribution declared in 2004 and paid in 2005. Effective February 1, 2006, the monthly distributions were set at \$0.12 per unit compared with the monthly distributions of \$0.10 per unit in effect during the three months ended March 25, 2005. Distributions over the course of a fiscal year are largely financed through operating cash flow, with the revolving credit facility supporting distributions during slower quarters.

In conjunction with the acquisition of the Construction Products Division of Twister Pipe Ltd., the Fund negotiated an increase to its term facility of \$10.0 million for a total of \$35.0 million. During the first quarter of 2006, net borrowings on these debt facilities amounted to \$15.8 million, of which \$7.7 million was used to finance the acquisition through the term facility and \$8.1 million financed the required distributions and working capital investments through the revolving facility. Bank financing fees of \$0.2 million were paid as part of the negotiated amendments. Armtec is in compliance with all covenants.

During the three months ended March 25, 2005, the Fund made net borrowings of \$9.6 million to finance required distributions and working capital investments during the quarter.

CAPITAL RESOURCES

At March 31, 2006, Armtec had credit facilities that provide a \$35.0 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%. At March 31, 2006, \$32.7 million had been advanced on the term facility and was outstanding, while \$8.3 million was outstanding on the revolving credit facility. There are no mandatory principal repayments

on the term or revolving facilities prior to maturity in February 2009. Due to the seasonality of the business, the revolving credit facility is available to support temporary cash requirements for working capital and distributions. Armtec is in compliance with all covenants.

Cash and cash equivalents at March 31, 2006 amounted to \$16 thousand.

Armtec has committed to implementing a new ERP system during 2006 and 2007. Approximately \$0.3 million remain in committed consulting fees relating to agreements signed in 2005. In addition, approximately \$1.5 million is estimated to be spent annually on maintenance capital expenditures in order to maintain Armtec's capacity.

Anticipated cash distributions to unitholders are not commitments at March 31, 2006. 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. Beginning with the monthly distribution for May 2006, the Board of Trustees have set monthly distributions at \$0.13 per unit or \$1.56 annually.

Cash flow from operations over the fiscal year 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 March 31, 2006, the amount of royalty payments owing was \$0.1 million. For the three months ended March 31, 2006, royalty expense amounted to \$0.1 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, 2005 and have not materially changed during the three months ended March 31, 2006.

SUBSEQUENT EVENTS

On April 27, 2006, the Fund committed to purchase a linear corrugator for a total cost, after installation, of approximately \$2.0 million. The equipment will be installed during the second and third quarters of 2006. Of the purchase price, approximately \$0.9 will be expended in the second quarter of 2006 with the remainder expended during the third and fourth quarters.

NON-GAAP MEASURES

References to "EBITDA" are to earnings or loss before interest, taxes (other than capital taxes), depreciation and amortization. Management believes that in addition to net earnings 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.

**For the Three Months Ended
(unaudited)
(expressed in thousands of Canadian dollars)**

	March 31, 2006	March 25, 2005¹
Net loss before taxes	\$ (3,779)	\$ (3,352)
Depreciation and amortization	1,474	1,479
Interest expense	471	294
EBITDA	\$ (1,834)	(1,579)

¹ 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 earnings or loss 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 or loss 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 judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and judgments, particularly those related to the determination of the estimated recoverable amount of accounts receivable, inventory, goodwill and intangible assets, 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. 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, 2006 to May 3, 2006.

FINANCIAL INSTRUMENTS

The Fund entered into an interest rate swap agreement on September 3, 2004 for \$11.5 million of its 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. There was a marginal increase in the mark-to-market value of the swap during the period between January 1, 2006 to March 31, 2006, classified as a reduction of interest and financing 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 three months ended March 31, 2006. There are no changes currently contemplated for fiscal 2006 that management expects will have a material impact on the financial results of the Fund.

The Fund is required to adopt new Canadian Institute of Chartered Accountants (the "CICA") Handbook standards contained in Section 1530 entitled "Comprehensive Income", Section 3855 entitled "Financial Instruments – Recognition and Measurement Income" and Section 3865 entitled "Hedges" on January 1, 2007. The Fund is currently evaluating the impact on its consolidated financial statements of adopting these recommendations on January 1, 2007.

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, 2006 to May 3, 2006 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 May 3, 2006. 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

March 31, 2006

These interim consolidated financial statements have not been subjected to a review by Armtec Infrastructure Income Fund's external auditor.

Armtec Infrastructure Income Fund

INTERIM CONSOLIDATED BALANCE SHEET

(expressed in thousands of Canadian dollars)

	March 31, 2006 (unaudited)	March 25, 2005 (unaudited)	December 31, 2005
Assets			
Current assets			
Cash and cash equivalents	\$ 16	\$ 30	\$ 10
Accounts receivable	14,979	14,168	18,946
Inventories	23,017	20,732	18,102
Prepaid expenses and other assets	1,185	609	1,590
Future income tax assets	174	174	174
	39,371	35,713	38,822
Property, plant and equipment	32,677	33,566	32,723
Notes receivable	-	306	-
Deferred swap gain (note 2)	50	-	30
Goodwill	36,310	34,021	34,021
Intangible assets	42,632	41,506	39,851
	\$ 151,040	\$ 145,112	\$ 145,447
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 13,653	\$ 11,643	\$ 15,098
Distributions payable (note 3)	1,082	902	2,975
	14,735	12,545	18,073
Long-term debt (notes 2)	40,981	34,634	25,225
Post-employment obligations	6,595	6,339	6,524
Deferred swap loss payable (note 2)	-	111	-
Future income tax liabilities	16,118	16,708	16,240
	78,429	70,337	66,062
Unitholders' equity			
Capital contributions	82,248	82,248	82,248
Cumulative earnings	14,820	3,012	18,439
Cumulative distributions (note 3)	(24,457)	(10,485)	(21,302)
	72,611	74,775	79,385
	\$ 151,040	\$ 145,112	\$ 145,447

Basis of Presentation (note 1)

Signed on behalf of the Trustees:

/s/ Robert J. Wright

Robert J. Wright
Chairman

/s/ Brian W. Jamieson

Brian W. Jamieson
Trustee

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

Armtec Infrastructure Income Fund

INTERIM CONSOLIDATED STATEMENT OF EARNINGS

For the Three Months Ended

(unaudited)

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

	March 31, 2006	March 25, 2005
Revenue	\$ 20,440	\$ 17,966
Cost of sales	16,299	14,686
Gross margin	4,141	3,280
Selling, distribution, general, administrative and other expenses	7,449	6,338
Loss from operations	(3,308)	(3,058)
Interest and financing expenses	471	294
Loss before taxes	(3,779)	(3,352)
Recovery of future income taxes	(160)	(168)
Net loss for the period	\$ (3,619)	\$ (3,184)
Basic and diluted loss per unit	\$ (0.40)	\$ (0.35)
Basic and diluted weighted average number of units outstanding	9,015,000	9,015,000

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

Armtec Infrastructure Income Fund

INTERIM CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

For the Three Months Ended March 31, 2006

(unaudited)

(expressed in thousands of Canadian dollars)

	Unitholders' Capital	Cumulative Earnings	Cumulative Distributions	Total
Balance, December 31, 2005	\$ 82,248	\$ 18,439	\$ (21,302)	\$ 79,385
Net loss for the period	-	(3,619)	-	(3,619)
Distributions (Note 3)	-	-	(3,155)	(3,155)
Balance, March 31, 2006	\$ 82,248	\$ 14,820	\$ (24,457)	\$ 72,611

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

Armtec Infrastructure Income Fund
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the Three Months Ended
(unaudited)
(expressed in thousands of Canadian dollars)

	March 31, 2006	March 25, 2005
Cash provided by (used in)		
Operating activities		
Net loss for the period	\$ (3,619)	\$ (3,184)
Items not affecting cash		
Amortization of property, plant and equipment	866	924
Amortization of intangible assets	608	555
Future income taxes recovery	(160)	(168)
Gain on interest rate swap	(20)	(60)
Non-cash post-employment benefits expense	71	66
	(2,254)	(1,867)
Net increase in non-cash working capital (note 5)	(464)	(4,306)
Cash used in operating activities	(2,718)	(6,173)
Investing activities		
Purchase of property, plant and equipment	(301)	(417)
Proceeds from the sale of property, plant and equipment	15	-
Acquisition of a business (note 8)	(7,460)	-
Cash used in investing activities	(7,746)	(417)
Financing activities		
Net borrowings under credit facility (note 2)	15,756	9,634
Payment of bank financing fees	(238)	-
Payment of expenses related to initial public offering	-	(27)
Distributions to unitholders	(5,048)	(5,860)
Cash provided by financing activities	10,470	3,747
Net increase (decrease) in cash and cash equivalents	6	(2,843)
Cash and cash equivalents - Beginning of period	10	2,873
Cash and cash equivalents - End of period	\$ 16	\$ 30
Supplemental cash flow information		
Interest paid	\$ 529	\$ 327
Income taxes paid	\$ -	\$ -

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

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(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 indirectly, securities and assets of Armtec Limited Partnership (“Armtec”).

The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). The unaudited interim consolidated financial statements reflect the results of operations of the Fund and its wholly owned subsidiaries for the three months ended March 31, 2006 and March 25, 2005. 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. Prior period results have been reclassified to conform to the current presentation of financial information.

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 2005 financial statements.

Note 2. Long-Term Indebtedness

	March 31, 2006	December 31, 2005
Non-revolving term facility	\$ 32,700	\$ 25,000
Revolving credit facility	8,281	225
	\$ 40,981	\$ 25,225

On July 27, 2004, the Fund entered into a three-year syndicated credit agreement that provided the Fund with access to a \$25.0 million term facility and a revolving credit facility of up to \$25.0 million. On February 1, 2006, the Fund renegotiated this agreement to increase the term facility to \$35.0 million. The maturity date for both facilities was extended from July 27, 2007 to February 1, 2009. The new facilities were secured at comparable terms to the previous agreement and the financial covenants allow for similar flexibility. 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 March 31, 2006 and December 31, 2005, the Fund was in compliance with these covenants. 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 months ended March 31, 2006 were \$34,066 (\$28,330 for the three months ended March 25, 2005).

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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 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 gains and losses arising from fluctuations in the value of the interest rate swap are recorded as interest and financing expenses. There was a marginal unrealized gain recorded in the three months ended March 31, 2006 (an unrealized gain of \$0.1 million was recorded in the three months ended March 25, 2005). The fair value of the interest rate swap was included with non-current assets at March 31, 2006 and December 31, 2005, and in long-term liabilities at March 25, 2005.

The average effective interest rate after related fees during the three months ended March 31, 2006 was 5.80% (5.36% for the three months ended March 25, 2005). 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 unrealized gains 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 declared for the three months ended March 31, 2006 are as follows:

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

<u>Period</u>	<u>Record date</u>	<u>Payment date</u>	<u>Per unit</u>	<u>Amount</u>
January 2006	January 31, 2006	February 15, 2006	\$ 0.11	\$ 991.65
February 2006	February 28, 2006	March 15, 2006	0.12	1,081.80
March 2006	March 31, 2006	April 13, 2006	0.12	1,081.80
			<u>\$ 0.35</u>	<u>\$ 3,155.25</u>

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.

If cash distributions declared per unit exceeds threshold amounts, a percentage of the excess cash distributions declared (the participation rate) is contributed by the Fund into a long-term incentive pool. The funds in this pool are used to purchase units of the Fund in the open market, to be provided to eligible employees as bonus compensation. The units vest evenly over a three-year period. As a result of the 2005 distributions exceeding threshold amounts, an LTIP entitlement of \$541 was approved with the acquisition of units to be completed in the second quarter of 2006. An LTIP entitlement of \$271 was approved with respect to the 2004 distributions resulting in an open market acquisition of 20,015 units in 2005 of which, 6,671 units were vested and distributed to the plan participants in December 2005.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Note 5. Changes in Non-Cash Working Capital

	For the three months ended	
	March 31, 2006	March 25, 2005
Cash provided by (used in)		
Accounts receivable	\$ 4,432	\$ 3,418
Inventories	(3,894)	(4,557)
Prepaid expenses and other assets	405	535
Accounts payable and accrued liabilities	(1,445)	(3,723)
Other	38	21
	<u>\$ (464)</u>	<u>\$ (4,306)</u>

Note 6. Seasonal Nature of the Business

The Fund's results for the three month periods ended March 31, 2006 and March 25, 2005 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in revenue levels. Since most of the Fund's products require outdoor installation, the Fund historically experiences higher levels of revenue during the summer months in the second and third quarters, while the first and fourth quarters experience lower revenue during the late fall and winter months. Occupancy related expenses, general and administration costs, depreciation and amortization and interest expenses remain relatively steady throughout the year.

Note 7. Segmented Information

The Fund operates in one industry segment, manufacturing drainage products and engineered solutions for infrastructure applications. The Fund derives its revenue from a large base of customers across Canada and internationally. During the three months ended March 31, 2006 and March 25, 2005, no single customer accounted for greater than 10% of the total revenues.

The Fund's significant product lines include corrugated steel and high-density polyethylene pipe ("Pipe"), engineered steel products ("ESP"), and other products.

For the Three Months Ended March 31, 2006

Revenues by significant product line are as follows:

	Pipe	ESP	Other	Total
Revenue	\$ 12,251	\$ 1,758	\$ 6,431	\$ 20,440

Domestic and export revenues are as follows:

	Canada	International	Total
Revenue	\$ 18,184	\$ 2,256	\$ 20,440

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

For the Three Months Ended March 25, 2005

Revenues by significant product line are as follows:

	Pipe	ESP	Other	Total
Revenue	\$ 9,605	\$ 2,406	\$ 5,955	\$ 17,966

Domestic and export revenues are as follows:

	Canada	International	Total
Revenue	\$ 15,435	\$ 2,531	\$ 17,966

Note 8. Business Acquisition

On February 1, 2006, the Fund acquired the assets of the Construction Products Division of Twister Pipe Ltd. for approximately \$7,460, net of working capital adjustments and transaction costs. The acquisition has been accounted for using the purchase method, and the results of operations were consolidated with those of the Fund from the date of acquisition. The following information provides the estimated fair value of the net assets acquired at February 1, 2006.

Net Assets Acquired

Accounts receivable	\$ 465
Inventories	1,021
Property, plant and equipment	534
Intangible assets	3,151
Goodwill	2,289
	<u>\$ 7,460</u>

Consideration

Consideration – Cash	\$ 7,700
Transaction costs	180
Working capital adjustment	(420)
Total Consideration	<u>\$ 7,460</u>

The intangible assets acquired include customer lists, customer contracts and a non-compete agreement with estimated useful lives between 5 and 15 years. The purchase price allocation provided is preliminary and is expected to be finalized by December 31, 2006.

Note 9. Subsequent Events

On April 27, 2006, the Fund committed to purchase a linear corrugator for a total cost, after installation, of approximately \$2.0 million. The equipment will be installed during the second and third quarters of 2006. Of the purchase price, approximately \$0.9 million will be expended in the second quarter of 2006 with the remainder expended during the third and fourth quarters.

On April 17, 2006, a \$0.12 per unit (for an aggregate of \$1,081.80) distribution in respect of April 2006 was declared. The record date of the distribution was April 28, 2006 with an ex-dividend trading date of April 26, 2006. This distribution will be paid on May 15, 2006.

Armtec Infrastructure Income Fund

Unitholder Information

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