

Armtec Infrastructure Income Fund Management's Report to Unitholders

The accompanying consolidated financial statements of Armtec Infrastructure Income Fund (the "Fund" or "Armtec") and Management's Discussion and Analysis for the year ended December 31, 2007 have been prepared by management and approved by the Board of Trustees of the Fund. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in Canada and, where necessary, reflect management's estimates and judgments. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality and for the consistency of financial data contained in the consolidated financial statements.

To assist management in the discharge of these responsibilities, the Fund and its subsidiaries maintain a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, only valid and authorized transactions are executed and accurate, timely and comprehensive financial information is prepared.

The Audit Committee of the Fund comprises independent trustees who are neither employees nor officers of Armtec. The Audit Committee meets with management and with external auditors to satisfy themselves that management is properly discharging its financial reporting responsibilities and to review the consolidated financial statements and the auditors' report. The Audit Committee provides recommendations to the trustees regarding all financial matters. The external auditors have direct access to the Audit Committee.

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

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

/s/ Carrie A. Boutcher
Carrie A. Boutcher, CA
Vice President, Finance and Interim Chief Financial Officer
Armtec Infrastructure Income Fund

Auditors' Report

To the Unitholders of
Armtec Infrastructure Income Fund

We have audited the consolidated balance sheets of Armtec Infrastructure Income Fund (the "Fund") as at December 31, 2007 and 2006 and the consolidated statements of earnings, comprehensive income, changes in unitholders' equity and cash flows for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years ended December 31, 2007 and 2006 in accordance with Canadian generally accepted accounting principles.

/s/ PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Waterloo, Canada
March 4, 2008

Armtec Infrastructure Income Fund

CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars)

As at December 31	2007	2006
Assets		
Current assets		
Cash	\$ 12,628	\$ 26
Accounts receivable (Note 4)	49,313	18,446
Inventories (Note 5)	22,111	19,778
Prepaid expenses and other assets	1,644	1,025
Future income tax assets (Note 11)	126	101
	85,822	39,376
Property, plant and equipment (Note 6)	77,216	32,575
Notes receivable	139	442
Goodwill (Note 7)	71,028	39,548
Intangible assets (Note 8)	92,422	44,453
	\$ 326,627	\$ 156,394
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 32,539	\$ 13,294
Distributions payable	4,674	3,091
Income taxes payable	163	-
Deferred contract revenue	1,495	-
Current portion of long-term debt (Note 9)	341	-
Future income tax liabilities (Note 11)	4,594	-
	43,806	16,385
Long-term debt (Note 9)	65,549	16,044
Post-employment obligations (Note 10)	6,701	6,596
Future income tax liabilities (Note 11)	31,466	14,545
	147,522	53,570
Unitholders' equity	179,105	102,824
	\$ 326,627	\$ 156,394

Signed on behalf of the Trustees:

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

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

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

Armtec Infrastructure Income Fund

CONSOLIDATED STATEMENTS OF EARNINGS

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

For the years ended December 31	2007	2006
Revenue	\$ 206,226	\$ 166,166
Cost of sales	140,831	113,415
Amortization of property, plant and equipment	4,069	3,493
Gross margin	61,326	49,258
Distribution and warehousing	9,089	8,555
Selling, general and administrative	25,496	21,859
Amortization of intangible assets	5,578	2,428
Earnings from operations	21,163	16,416
Interest	2,368	2,328
Interest related to debt transaction costs	449	-
Interest and financing expenses	2,817	2,328
Earnings before taxes	18,346	14,088
Recovery of future income taxes (Note 11)	4,543	1,693
Net earnings for the year	\$ 22,889	\$ 15,781
Basic and diluted earnings per unit (Note 15)	\$ 1.99	\$ 1.71
Basic and diluted weighted average number of units outstanding (Note 15)	11,506,824	9,251,611

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

Armtec Infrastructure Income Fund
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of Canadian dollars)

For the years ended December 31	2007	2006
Net earnings for the year	\$ 22,889	\$ 15,781
Other comprehensive loss, net of taxes: Unrealized losses on translating financial statements of self-sustaining foreign operations	(23)	-
Comprehensive income for the year	\$ 22,866	\$ 15,781

Armtec Infrastructure Income Fund
CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY
(in thousands of Canadian dollars)

	Unitholders' Capital	Accumulated Other Comprehensive Loss	Cumulative Earnings	Cumulative Distributions	Total
Balance – December 31, 2005	\$ 82,248	\$ -	\$ 18,439	\$ (21,302)	\$ 79,385
Units issued for cash consideration (Note 12)	25,007	-	-	-	25,007
Issuance costs related to unit offering (Note 12)	(1,482)	-	-	-	(1,482)
Earnings for the year	-	-	15,781	-	15,781
Other comprehensive loss for the year	-	-	-	-	-
Distributions for the year (Note 13)	-	-	-	(15,867)	(15,867)
Balance – December 31, 2006	\$ 105,773	\$ -	\$ 34,220	\$ (37,169)	\$ 102,824
Units issued for cash consideration (Note 12)	60,762	-	-	-	60,762
Exchangeable partnership units issued for cash consideration (Note 12)	17,500	-	-	-	17,500
Issuance costs related to unit offering (Note 12)	(3,896)	-	-	-	(3,896)
Earnings for the year	-	-	22,889	-	22,889
Other comprehensive loss for the year	-	(23)	-	-	(23)
Distributions for the year (Note 13)	-	-	-	(20,951)	(20,951)
Balance – December 31, 2007	\$ 180,139	\$ (23)	\$ 57,109	\$ (58,120)	\$ 179,105

Total cumulative earnings, cumulative distributions, and accumulated other comprehensive loss at December 31, 2007 is \$(1,034) and at December 31, 2006 is \$(2,949).

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

Armtec Infrastructure Income Fund

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)

For the years ended December 31	2007	2006
Cash provided by (used in):		
Operating activities		
Net earnings for the year	\$ 22,889	\$ 15,781
Items not affecting cash:		
Amortization of property, plant and equipment	4,069	3,493
Amortization of intangible assets	5,578	2,428
Interest related to debt transaction costs	187	-
Write-down of debt transaction costs (Note 9)	262	-
Recovery of future income taxes (Note 11)	(4,543)	(1,693)
Non-cash post-employment benefits expense	105	72
Loss (gain) on sale of property, plant and equipment	389	(140)
	28,936	19,941
Net decrease (increase) in non-cash working capital (Note 16)	2,636	(109)
Cash provided by operating activities	31,572	19,832
Investing activities		
Purchase of property, plant and equipment	(4,440)	(3,019)
Proceeds from sale of property, plant and equipment	238	247
Decrease (increase) in notes receivable	423	(39)
Purchase of intangible assets	(400)	(782)
Business acquisitions (Note 20)	(98,436)	(14,589)
Cash used in investing activities	(102,615)	(18,182)
Financing activities		
Net proceeds from offering of fund units (Note 12)	56,866	23,525
Net borrowings (repayments) under credit facilities	47,004	(9,181)
Payment of debt transaction costs	(837)	(227)
Distributions to unitholders	(19,368)	(15,751)
Cash provided by (used in) financing activities	83,665	(1,634)
Effect of translation adjustment	(20)	-
Net increase in cash	12,602	16
Cash – Beginning of year	26	10
Cash – End of year	\$ 12,628	\$ 26
Supplemental cash flow information:		
Interest paid	\$ 2,416	\$ 2,372
Income taxes paid	\$ 3,307	\$ -
Non-cash transactions:		
Acquisition – Exchangeable partnership units (Note 20)	\$ 17,500	\$ -
Acquisition – Payable over the next year (Note 20)	\$ 5,887	\$ 263

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

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

Note 1. Organization and Nature of Business

Armtec Infrastructure Income Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated June 15, 2004, as amended and restated on July 27, 2004. In these financial statements, the terms "the Fund", "Armtec" or "the Company" mean Armtec Infrastructure Income Fund, together with the Fund's portion of its joint venture, Fixon-Armtec Ltd., and its subsidiaries: Armtec Operating Trust, Armtec Exchangeable Partnership, Armtec AEP GP Limited, Armtec Holdings Limited, Armtec Limited Partnership Corp. and Armtec Limited Partnership.

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

Note 2. Summary of Significant Accounting Policies

Basis of consolidation

The Fund prepares its consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The consolidated financial statements reflect the results of operations of the Fund, its wholly owned subsidiaries and the Fund's portion of its joint venture for the years ended December 31, 2007, and December 31, 2006. All significant intercompany transactions and balances have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

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

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

Cash and cash equivalents

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

Inventories

Inventories are stated at the lower of cost or net realizable value for raw materials and finished goods. Cost is determined based on standards, which approximate actual cost as determined on an average cost basis.

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

Property, plant and equipment

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

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

Goodwill

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

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

Research and development

Research costs are expensed as incurred. Where the criteria under GAAP are met, development costs are deferred and amortized over the estimated useful life of the technology.

Intangible assets

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

Trademarks and tradenames	25 years
Customer lists	10 - 15 years
Enterprise resource planning ("ERP") systems	7 - 8 years
Development costs	2 years
Customer contracts	As the contract is completed to a maximum of 7 years
Non-compete agreements	The term of the agreement
Licences	The lesser of the term of the agreement or 20 years

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

Employee future benefits

Certain employees are entitled to post-employment benefits such as medical, dental and life insurance benefits. The Fund's obligation under such plans is determined annually by independent actuaries using management's assumptions and the attribution method. Unamortized actuarial gains and losses in excess of 10% of the benefit obligation are amortized over the expected average remaining service period of active employees expected to receive benefits under the plan.

Income taxes

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

The Fund's subsidiaries apply the liability method of accounting for income tax purposes. Future income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Future income taxes are measured using substantively enacted rates and laws that are expected to be in effect when the temporary differences are estimated to reverse. The effect of any changes in tax rates on the future income tax balance is recognized in income in the

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(in thousands of Canadian dollars)

period of change. If, on the basis of available evidence, management does not consider it more likely than not that all or a portion of future tax assets will be realized, the future tax asset is reduced by a valuation allowance.

On June 12, 2007, previously announced tax proposals pertaining to the taxation of income distributed by publicly listed income trusts and the tax treatment of trust distributions to their unitholders were substantively enacted. Currently, the Fund does not pay tax on income it distributes to its unitholders. Management anticipates that the Fund will not be subject to tax until January 1, 2011.

Translation of foreign currencies

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

For foreign operations that are considered self-sustaining, the current rate method of translating foreign currencies has been used. Under this method, assets and liabilities are translated into Canadian dollars at period-end exchange rates. Revenues and expenses are translated at average rates during the period. The resulting unrealized exchange gains and losses arising from the translation of the financial statements of these foreign operations are deferred and recorded as a component of accumulated other comprehensive income within unitholders' equity.

Financial instruments and hedging relationships

Effective January 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Section 1530, "Comprehensive Income"; Section 3855, "Financial Instruments – Recognition and Measurement"; Section 3861 – "Financial Instruments – Disclosure and Presentation"; and Section 3865, "Hedges" (note 3).

As a result of the adoption of these standards, the Fund has classified its cash and cash equivalents as held-for-trading; accounts receivable and long-term notes receivable have been classified as loans and receivables; and accounts payable and long-term debt have been classified as other financial liabilities.

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

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

Recently issued accounting pronouncements

a) Capital disclosures

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

b) Financial instruments – disclosure and presentation

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

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(in thousands of Canadian dollars)

c) Inventories

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

d) Goodwill and intangible assets

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

e) International financial reporting standards

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

Note 3. Changes in Accounting Policies

Financial instruments

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

a) Comprehensive income

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

b) Financial assets and liabilities

Under the new standard, all financial assets and liabilities were classified into the following categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial assets and liabilities within the scope of the standard are included in the consolidated financial statements and are initially measured at fair value. Subsequently, all financial assets and liabilities are re-measured to fair value at each reporting period except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Held-for-trading financial assets and liabilities are subsequently measured at fair value and all gains and losses as a result of re-measurement are included in net income in the period in which they arise. Available-for-sale financial assets and liabilities are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until they are derecognized or impaired.

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

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(in thousands of Canadian dollars)

c) Hedges

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

Equity

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

Accounting changes

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

Foreign currency translation

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

Note 4. Accounts Receivable

As at December 31	2007	2006
Trade receivables	\$ 37,893	\$ 18,124
Holdback receivables	4,808	322
Unbilled revenue	6,612	-
	\$ 49,313	\$ 18,446

Note 5. Inventories

As at December 31	2007	2006
Raw materials	\$ 6,791	\$ 5,478
Finished goods	15,320	14,300
	\$ 22,111	\$ 19,778

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

Note 6. Property, Plant and Equipment

As at December 31, 2007	Cost	Accumulated Amortization	Net
Land	\$ 25,208	\$ -	\$ 25,208
Buildings	14,085	1,622	12,463
Machinery and equipment	44,844	9,934	34,910
Machinery and equipment under capital lease	2,007	59	1,948
Leasehold improvements	977	312	665
Furniture and fixtures	2,109	479	1,630
Construction-in-progress	392	-	392
	\$ 89,622	\$ 12,406	\$ 77,216

As at December 31, 2006	Cost	Accumulated Amortization	Net
Land	\$ 3,196	\$ -	\$ 3,196
Buildings	8,469	1,101	7,368
Machinery and equipment	25,769	6,905	18,864
Leasehold improvements	359	179	180
Furniture and fixtures	1,100	352	748
Construction-in-progress	2,219	-	2,219
	\$ 41,112	\$ 8,537	\$ 32,575

Note 7. Goodwill

As at December 31	2007	2006
Balance – Beginning of year	\$ 39,548	\$ 34,021
Goodwill acquired (Note 20)	32,016	5,527
Goodwill adjustment (Note 20)	(536)	-
Balance – End of year	\$ 71,028	\$ 39,548

Note 8. Intangible Assets

As at December 31	2007	2006
Balance – Beginning of year, as previously reported	\$ 44,453	\$ 40,275
Debt transaction costs	(403)	-
Balance – Beginning of year, as restated	44,050	40,275
Intangibles acquired (Note 20)	53,550	5,597
ERP system and other intangible costs	400	1,009
Amortization	(5,578)	(2,428)
Balance – End of year	\$ 92,422	\$ 44,453

As a result of changes in the Fund's accounting policies, all debt transaction costs are now considered in the fair value of the related debt. Please refer to note 3 – "Changes in Accounting Policies".

Armtec Infrastructure Income Fund
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian dollars)

As at December 31, 2007	Cost	Accumulated Amortization	Net
Trademarks and tradenames	\$ 42,100	\$ 2,958	\$ 39,142
Customer contracts	6,600	2,444	4,156
Customer lists	27,972	932	27,040
ERP systems	1,267	140	1,127
Non-compete agreements	4,920	532	4,388
Licences	18,901	3,462	15,439
Development costs	115	46	69
ERP system in process	1,061	-	1,061
	\$ 102,936	\$ 10,514	\$ 92,422

As at December 31, 2006	Cost	Accumulated Amortization	Net
Trademarks and tradenames	\$ 22,500	\$ 1,862	\$ 20,638
Customer contracts	900	233	667
Customer lists	4,372	234	4,138
ERP system	217	13	204
Non-compete agreements	1,320	88	1,232
Licences	18,901	2,506	16,395
Debt transaction costs	876	473	403
Development costs in process	93	-	93
ERP system in process	683	-	683
	\$ 49,862	\$ 5,409	\$ 44,453

Note 9. Long-Term Debt

	2007	2006
Revolving facility (a)	\$ -	\$ 1,044
Term facility (a)	65,000	15,000
Capital leases payable at rates varying from 4.8% to 6.5% payable in blended monthly instalments of \$36 (b)	1,681	-
	66,681	16,044
Less: debt transaction costs	791	-
Less: current portion	341	-
	\$ 65,549	\$ 16,044

a) Revolving and term credit facilities

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, this agreement was amended to provide access to a \$35.0 million term facility and a \$25.0 million revolving credit facility. The entire credit facility was originally repayable in full on February 9, 2009. On October 26, 2006, the agreement was further amended to allow for a one-time repayment on the term facility and also providing for the ability to re-borrow under the term agreement subject to certain conditions.

On October 1, 2007, the Fund completed further amendments to its existing term and revolving credit facilities. The principal amendments to the credit facilities include increased term financing from \$35.0 million to \$65.0 million and available revolving facilities increased from \$25.0 million to \$40.0 million. Both credit facilities mature in October 2012. For accounting purposes, the October 1, 2007, the amendment was

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(in thousands of Canadian dollars)

considered a substantial modification of the terms of the financial liability and is treated as an extinguishment of the previous agreement. As a result, debt transaction costs of \$262 related to the original facility were written down during the fourth quarter.

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 maintenance of certain financial ratios primarily linked to operating earnings before interest, taxes, depreciation and amortization. At December 31, 2007 and 2006, the Fund was in compliance with these covenants.

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 matured on July 27, 2007. Unrealized gains and losses arising from fluctuations in the value of the interest rate swap were recorded as interest and financing expenses. The realized loss recorded in the year ended December 31, 2007 was \$43 (2006 – unrealized gain of \$13).

The average effective interest rate after related fees during the year ended December 31, 2007, was 6.2% (2006 – 6.1%). This accounts for the effects on the term and revolving facilities drawn, debt transaction costs and the interest rate swap but does not include any unrealized gains or losses in the period resulting from the revaluation of the interest rate swap, if applicable.

b) Capital leases

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

Interest expense on long-term obligations for the year ended December 31, 2007, totalled \$2,343 (2006 – \$2,340). Principal payments required to meet long-term obligations in the next five years are as follows:

For the years ended December 31	
2008	\$ 341
2009	361
2010	445
2011	365
2012	65,169
	\$ 66,681

Payments under capital lease including interest are as follows:

For the years ended December 31	
2008	\$ 430
2009	430
2010	492
2011	383
2012	173
Total minimum payments	1,908
Less: amount representing interest	227
Obligations under capital lease	\$ 1,681

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

Note 10. Post-Employment Obligations

The Fund provides post-employment benefits to qualifying retirees. This benefit was grandfathered for retirees with combined years of age and service of 75 who were employed as at January 1, 2003. The most recent actuarial valuation of the post-employment benefit plan was as of January 1, 2006, and the next required valuation will be as of January 1, 2009. Information about the Fund's unfunded post-employment benefit plan is as follows:

For the years ended December 31	2007	2006
Change in post-employment benefit obligation:		
Post-employment benefit obligation at the beginning of the year	\$ 5,908	\$ 7,594
Change in obligation on revaluation	-	(1,758)
Service cost – benefits earned	21	31
Interest cost	291	286
Benefits paid	(195)	(245)
Post-employment benefit obligation at the end of the year	6,025	5,908
Unamortized net actuarial gain	676	688
Accrued post-employment benefit obligation	\$ 6,701	\$ 6,596
The Fund expense:		
Service cost – benefits earned	\$ 21	\$ 31
Interest cost	291	286
Amortization of net actuarial gain	(12)	-
Net post-employment plan expense	\$ 300	\$ 317
Actuarial assumptions:		
Discount rate	5.00%	5.00%
Medical inflation ¹	8.00%	8.50%
Dental inflation	5.00%	5.00%

¹Medical inflation is assumed to be 7.5% in 2008, declining 0.5% per year to 5.0% for 2013 and thereafter.

For the years ended December 31	2007	2006
Effect of change in health care cost trend rate:		
1% Increase		
Service cost and interest cost	\$ 44	\$ 47
Accrued post-employment benefit	778	763
1% Decrease		
Service cost and interest cost	\$ (31)	\$ (33)
Accrued post-employment benefit	(656)	(643)

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 11. Income Taxes

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

	2007	2006
Future income tax assets – current:		
Accruals, reserves and other	\$ 126	\$ 101
Future income tax liabilities – current:		
Deferred contract revenue	4,594	-
Future income tax liabilities – long-term:		
Intangible assets	23,262	11,340
Property, plant and equipment	7,950	4,333
Post-employment obligations	(1,771)	(1,997)
Other	2,025	869
	31,466	14,545
Net future income tax liabilities	\$ 35,934	\$ 14,444

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

	2007	2006
Expected income tax at a combined rate of 33.5% (2006 – 34.0%)	\$ 6,153	\$ 4,790
Net earnings of the Fund not taxable	(7,357)	(5,323)
Impact of enacted rate changes	(3,417)	(1,234)
Other	78	74
Recovery of future income taxes	\$ (4,543)	\$ (1,693)

Note 12. Unitholders' Capital

Authorized units of the Fund

An unlimited number of trust units may be issued by the Fund pursuant to the Fund's Declaration of Trust. Each unit is transferable and represents an equal, undivided beneficial interest in any distributions from the Fund and in the net assets of the Fund. All units are of the same class with equal rights and privileges and are not subject to future calls or assessments. Each unit entitles the holder to one vote at all meetings of unitholders. Units are redeemable at any time at the option of the holder at amounts related to market prices at the time, subject to certain factors including a maximum of \$50 in cash redemptions by the Fund in any particular month. This limitation may be waived at the discretion of the trustees of the Fund. Redemptions in excess of this amount, assuming no waiving of the limitation, shall be paid by way of a distribution in specie of a pro rata amount of assets of the Fund.

Authorized exchangeable partnership units of the Fund

An unlimited number of exchangeable partnership units may be issued by Armtec Exchangeable Partnership. Holders of each exchangeable partnership unit are entitled to distributions from Armtec Exchangeable Partnership at the same time and in the same amount, on a unit-for-unit basis, as distributions made by the Fund to holders of Fund units. Each exchangeable partnership unit is non-transferable without approval from the general partner, Armtec AEP GP Limited. All exchangeable partnership units are of the same class with equal rights and privileges. Exchangeable partnership units are non-voting. Exchangeable partnership units are exchangeable into units of the Fund on a unit-for-unit basis provided that the holder of the exchangeable partnership units exchange at least 1/6 of the original number of exchangeable partnership units issued to such holder at one time. The exchangeable partnership units or, in the event that such units are exchanged for Fund units; Fund units are subject to the terms of an escrow arrangement entered into in connection with the Con-Force acquisition.

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

Units issued and outstanding	Number of exchangeable partnership units	Number of units	Total number of units as issued	Amount
Balance – December 31, 2005	-	9,015,000	9,015,000	\$ 82,248
Unit issuance	-	1,289,000	1,289,000	25,007
Issuance costs	-	-	-	(1,482)
Balance – December 31, 2006	-	10,304,000	10,304,000	105,773
Unit issuance	-	3,705,000	3,705,000	60,762
Exchangeable partnership unit issuance	1,067,073	-	1,067,073	17,500
Issuance costs	-	-	-	(3,896)
Balance – December 31, 2007	1,067,073	14,009,000	15,076,073	\$ 180,139

The Fund completed an issuance of 3,705,000 additional units of the Fund at a unit price of \$16.40 representing gross proceeds of \$60,762. Issuance costs of \$3,896 resulted in net cash proceeds of \$56,866. The Fund also completed an issuance of 1,067,073 exchangeable partnership units of the Fund at a unit price of \$16.40 representing gross non-cash consideration of \$17,500. Proceeds from both of these issuances were used to fund the acquisition of Con-Force on October 1, 2007.

On October 26, 2006, the Fund completed an issuance of 1,289,000 additional units of the Fund at a unit price of \$19.40, representing gross proceeds of \$25,007 with issuance costs of \$1,482, for total net cash proceeds of \$23,525.

Unitholders' rights plan ("Rights Plan")

On December 1, 2006, the Fund implemented a Rights Plan, the primary objective of which is to provide the Board of Trustees of the Fund with sufficient time to explore and develop alternatives for maximizing unitholder value if a takeover bid is made for units in the capital of the Fund and to provide that every unitholder is treated fairly in connection with such a bid. The Rights Plan encourages a potential acquirer to proceed either by way of a permitted bid, which requires a takeover to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the trustees. The Rights Plan was ratified by the unitholders during the year.

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

Note 13. Distributions

During 2007, the Fund made regular monthly distributions to unitholders of record as of the last business day of each month. Distributions to unitholders were calculated and recorded when declared. Distributions for the year ended December 31, 2007, were as follows:

Period	Record date	Payment date	Per unit	Amount (Whole Dollars)
January 2007	January 31, 2007	February 15, 2007	\$ 0.13	\$ 1,339,520
February 2007	February 28, 2007	March 15, 2007	0.13	1,339,520
March 2007	March 30, 2007	April 13, 2007	0.13	1,339,520
April 2007	April 30, 2007	May 15, 2007	0.13	1,339,520
May 2007	May 31, 2007	June 15, 2007	0.13	1,339,520
June 2007	June 29, 2007	July 13, 2007	0.13	1,339,520
July 2007	July 31, 2007	August 15, 2007	0.13	1,339,520
August 2007	August 31, 2007	September 14, 2007	0.13	1,339,520
September 2007	September 28, 2007	October 15, 2007	0.13	1,339,520
October 2007	October 31, 2007	November 15, 2007	0.14	2,110,650
November 2007	November 30, 2007	December 14, 2007	0.14	2,110,650
December 2007	December 31, 2007	January 15, 2008	0.14	2,110,650
Special distribution	December 31, 2007	January 25, 2008	0.17	2,562,932
			\$ 1.76	\$ 20,950,562

For the year ended December 31, 2006, total distributions of \$15,867 were declared.

Note 14. Incentive Plans

Long-term incentive plan ("LTIP")

Armtec maintains a long-term incentive plan to enhance the ability of the Fund to attract, retain and motivate key personnel and reward senior management for superior performance. Bonuses, in the form of units of the Fund, may be provided to eligible employees annually where certain conditions are met.

When the conditions of the plan are met, the Fund will set aside a pool of funds with Computershare Trust Company of Canada acting as plan administrator of the LTIP. The funds in this pool are used to purchase units of the Fund in the open market which are to be provided to eligible employees as bonus compensation. The units vest evenly over a three-year period and once vested are transferred to the eligible employee. An LTIP entitlement of \$366 was approved in respect of the 2007 year with the acquisition of units to be completed in the spring of 2008.

Purchased units available in the plan vest as follows:

Year awarded	Award amount	Year units purchased	Number of units	Vesting year – December 31,				
				2005	2006	2007	2008	2009
2004	\$ 271	2005	20,015	6,671	6,672	6,672	-	-
2005	541	2006	28,995	-	9,665	9,665	9,665	-
2006	410	2007	21,999	-	-	7,333	7,333	7,333
Total	\$ 1,222		71,009	6,671	16,337	23,670	16,998	7,333

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

The associated expense is recognized over a term consisting of the current and three vesting periods. Once the LTIP is funded, the amount to be recognized as an expense in future periods is classified as a prepaid expense on the balance sheet. The expense, prepaid expense and associated liability recognized in the December 31, 2007 and 2006 years were as follows:

For the years ended December 31	2007	2006
Prepaid expenses and other assets	\$ 159	\$ 173
Accounts payable and accrued liabilities	(133)	(148)
	\$ 26	\$ 25
Included in selling, general and administration expense	\$ 408	\$ 396

Trustees' phantom unit plan

The Phantom Unit Plan, established in June 2006, provides the trustees of the Fund with the opportunity to receive authorized but unissued phantom units in lieu of cash consideration for their quarterly retainer and meeting attendance fees. Each phantom unit awarded is equivalent in value to an actual unit of the Fund. The phantom units vest immediately and are reflected as a liability in the balance sheet and compensation expense in the income statement. During 2007, 13,464 phantom units (2006 – 7,387) were issued under the plan for total units outstanding of 20,851 (2006 – 7,387). The Fund recorded a compensation expense of \$373 in selling, general and administrative in 2007 (2006 – \$130).

Note 15. Earnings per Unit

For the years ended December 31 (in thousands of Canadian dollars except unit and per unit amounts)	2007	2006
Net earnings for the year	\$ 22,889	\$ 15,781
Weighted average number of units outstanding	11,506,824	9,251,611
Earnings per unit from net earnings		
Basic	\$ 1.99	\$ 1.71
Diluted	\$ 1.99	\$ 1.71

For the purposes of weighted average number of units outstanding, the exchangeable partnership units were treated as if the units were converted to equivalent units of the Fund at the time of issuance on October 1, 2007. Earnings per unit were calculated using the weighted daily average number of units outstanding during the year.

Note 16. Changes in Non-Cash Working Capital

For the years ended December 31	2007	2006
Cash provided by (used in):		
Accounts receivable	\$ 5,821	\$ 1,898
Inventories	1,526	(132)
Prepaid expenses and other assets	(57)	192
Accounts payable and accrued liabilities	(2,460)	(2,067)
Income taxes payable	(2,712)	-
Deferred contract revenue	518	-
	\$ 2,636	\$ (109)

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

Note 17. Joint Venture

On May 18, 2007, the Fund established a joint venture to manufacture corrugated steel bridge products in South Korea. The Fund currently holds a 50% participation in the joint venture, Fixon-Armtec Ltd. The Fund accounts for its interest using the proportionate consolidation method. During the year the joint venture made operating lease payments of \$103 to the Fund.

The following is a summary of the Fund's proportionate share in Fixon-Armtec Ltd.:

For the years ended December 31	2007	2006
Balance sheet		
Current assets	\$ 172	\$ -
Long-term assets	49	-
Current liabilities	36	-
Statement of earnings		
Revenue	\$ 260	\$ -
Expenses	307	-
Net earnings for the year	\$ (47)	\$ -
Statement of cash flows		
Cash used in operating activities	\$ (40)	\$ -
Cash used in investing activities	(57)	-
Cash provided by financing activities	228	-

Note 18. Financial Instruments

Fair value

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

Currency risk

The Fund is exposed to currency risk comprised primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. There is a risk to the Fund's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Fund's financial results are reported in Canadian dollars. The Fund's exposure to foreign currency risk is primarily related to fluctuations in the value of the Canadian dollar relative to that of the United States dollar, as a portion of the Fund's transactions occur with customers in United States dollars. For the year ended December 31, 2007, selling, general and administrative expenses included a foreign exchange gain of \$20 (2006 – foreign exchange loss of \$73).

Credit risk

The Fund's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, accounts receivable and notes receivable. The Fund's credit risk for cash and cash equivalents is reduced as balances are held with major financial institutions. Exposure to credit risk with respect to its accounts and notes receivables are minimized by Armtec's large customer base, which covers a diverse range of business sectors primarily in Canada. The Fund follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Fund maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

The Fund is also exposed to credit risk from potential default by any of its counterparties on its foreign exchange forward contracts. The Fund manages this credit risk by dealing with counterparties that are major financial institutions and that the Fund anticipates will satisfy their obligations under the contracts.

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

Interest rate risk

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

Note 19. Contingencies and Commitments

Commitments under operating leases

For the years ended December 31

2008	\$	2,215
2009		1,727
2010		1,360
2011		1,193
2012		948
Thereafter		1,492

Royalties

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

Capital expenditures

As at December 31, 2007, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$870. Of this amount, \$36 relates to a plant expansion in Alberta and \$834 relates to the purchase of manufacturing equipment. All of these commitments are due in 2008.

Contingent liabilities

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

The Fund in limited circumstances provides bonds, often using standard contractual terms, to counterparties in transactions relating to the performance and completion of construction contracts. Historically, the Fund has not made any significant payments under such claims, and no amounts have been accrued in the accompanying consolidated financial statements.

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

Note 20. Business Acquisitions

Con-Force

In October 2007, the Fund completed the acquisition of Con-Force for total consideration of \$122.1 million.

For the year ended December 31, 2007	Con-Force
Net assets acquired:	
Current assets	\$ 41,235
Property, plant and equipment	44,897
Goodwill	32,016
Intangibles:	
Trademarks and tradenames	19,600
Customer contracts	5,700
Customer lists	23,600
ERP system	1,050
Non-compete agreements	3,600
	53,550
Assets acquired	171,698
Liabilities assumed:	
Current liabilities	27,802
Long-term debt	1,428
Future income tax liabilities – long-term	20,372
Consideration	\$ 122,096
For the year ended December 31, 2007	Con-Force
Consideration comprising:	
Cash	\$ 98,709
Exchangeable partnership units	17,500
Payable over the next year	5,887
Consideration	\$ 122,096

Armtec Infrastructure Income Fund

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(in thousands of Canadian dollars)

Twister Pipe Ltd. ("Twister")

In February 2006, Armtec completed the acquisition of the construction products division of Twister for total consideration of \$7.7 million with \$0.2 million paid during the first quarter of 2007.

Prairie Steel Products Ltd. and Prairie Steel Manufacturing Ltd. ("Prairie Steel")

In November 2006, the Fund completed the acquisition of the culvert manufacturing and distribution division of Prairie Steel for total consideration of \$7.2 million with \$0.1 million paid during the first quarter of 2007.

For the year ended December 31, 2006	Twister	Prairie Steel	Total
Net assets acquired:			
Current assets	\$ 1,485	\$ 1,386	\$ 2,871
Property, plant and equipment	534	323	857
Goodwill	2,531	2,996	5,527
Intangibles:			
Customer contracts	300	-	300
Customer lists	2,370	1,607	3,977
Non-compete agreements	481	839	1,320
	3,151	2,446	5,597
Cash consideration	\$ 7,701	\$ 7,151	\$ 14,852

The amount of goodwill expected to be deductible for future income tax purposes totals \$4.1 million for both Twister and Prairie Steel.

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

On July 27, 2004, the Fund indirectly acquired all of the securities of Armtec Holdings Limited that held 100% ownership of Armtec Limited for cash consideration of \$78.4 million. In July 2007, cash of \$536 was received with respect to an indemnification of income tax liabilities incurred prior to July 27, 2004. The funds received were reflected as a reduction of the original consideration paid resulting in the reduction of goodwill.

Note 21. Segmented Information

On October 1, 2007, the Fund acquired all of the outstanding shares of the corporations that, directly or indirectly, carried on the Con-Force business. Con-Force is a manufacturer and installer of precast and pre-stressed concrete components for a variety of applications, including bridges, parkades, stadiums, office and residential buildings. With this transaction, the Fund has determined that the previously reported operating segment that manufactures drainage products and engineered solutions for infrastructure applications will remain as the Armtec division and the new Con-Force division will form a second operating segment. The differentiating factors between the two segments are the unique products and services provided by the divisions. The corporate headquarters and other small operating entities are included within the Armtec division operating segment.

The Fund derives its revenue from a large base of customers across Canada and internationally. During the years ended December 31, 2007 and 2006, no single customer accounted for more than 10% of the total revenues.

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

Armtec Infrastructure Income Fund

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(in thousands of Canadian dollars)

Geographic sales

For the year ended December 31, 2007		Canada	International	Total
Revenues to external customers	\$	196,800	\$ 9,426	\$ 206,226

For the year ended December 31, 2006		Canada	International	Total
Revenues to external customers	\$	155,876	\$ 10,290	\$ 166,166

Operating segments

For the year ended December 31, 2007		Armtec division	Con-Force division	Total
Revenues to external customers	\$	174,118	\$ 32,108	\$ 206,226
Amortization of property, plant and equipment		3,557	512	4,069
Amortization of intangible assets		2,626	2,952	5,578
Earnings from operations		18,740	2,423	21,163
Interest and financing expenses		2,208	609	2,817
Recovery of future income taxes		680	3,863	4,543
Net earnings		17,212	5,677	22,889
Assets		161,391	165,236	326,627
Property, plant and equipment		31,470	45,746	77,216
Payments for property, plant and equipment		3,079	1,361	4,440
Goodwill – beginning of year		39,548	-	39,548
Goodwill acquired (Note 20)		-	32,016	32,016
Goodwill adjustment (Note 20)		(536)	-	(536)
Goodwill – end of year		39,012	32,016	71,028

For the year ended December 31, 2006		Armtec division	Con-Force division	Total
Revenues to external customers	\$	166,166	\$ -	\$ 166,166
Amortization of property, plant and equipment		3,493	-	3,493
Amortization of intangible assets		2,428	-	2,428
Earnings from operations		16,416	-	16,416
Interest and financing expenses		2,328	-	2,328
Recovery of future income taxes		1,693	-	1,693
Net earnings		15,781	-	15,781
Assets		156,394	-	156,394
Property, plant and equipment		32,575	-	32,575
Payments for property, plant and equipment		3,019	-	3,019
Goodwill – beginning of year		34,021	-	34,021
Goodwill acquired (Note 20)		5,527	-	5,527
Goodwill – end of year		39,548	-	39,548

Armtec Infrastructure Income Fund

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

Note 22. Comparative Figures

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

Note 23. Subsequent Events

Distributions

On December 12, 2007, a \$0.15 per unit, or a total of \$2,261.4 (including distributions attributed to exchangeable partnership units), was declared in respect of January 2008. The record date of the distribution was January 31, 2008, with a payment date of February 15, 2008.

On February 20, 2008, a \$0.15 per unit, or a total of \$2,261.4 (including distributions attributed to exchangeable partnership units), was declared in respect of February 2008. The record date of the distribution was February 29, 2008, with a payment date of March 14, 2008.

Business acquisition

In January 2008, \$5,887 was paid out of available cash reflecting the final payment related to the Con-Force acquisition.